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ALL STAR BASEBALL

A.L. WINS, 2-1
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Jackson's Aides, Upset, Halt Negotiations With Dukakis

Compiled by Our Staff From Dispatches

WASHINGTON — As Michael S. Dukakis sought to mend fences with black leaders, a chief aide to the Reverend Jesse L. Jackson said Wednesday that the Jackson camp was "flabbergasted" by Mr. Dukakis's handling of his vice presidential selection and said convention talks with Dukakis campaign aides had been broken off.

Ron Brown, one of Mr. Jackson's closest advisers as his convention manager, said in Atlanta that Mr. Jackson was incredulous that the Massachusetts governor did not call him, as Mr. Jackson had been told would happen, before the vice presidential decision was announced.

"Basically, we were flabbergasted by the way this was handled," Mr. Brown said. "It is now up to Michael Dukakis to make it a unity convention."

"That's O.K.," said Mr. Dukakis when asked about the halt in negotiations. "If people want to debate certain issues, they have a perfect right to do so."

Mr. Jackson, at home in Chicago, had nothing to say on the matter.

Mr. Dukakis was in Washington with his newly designated running mate, Senator Lloyd Bentsen of Texas, and he said that he hoped Mr. Jackson would support the Democratic ticket this autumn.

As for the Republican campaign, George Bush's search for a running mate was getting under way in earnest. Campaign sources said the vice president would probably make use of private polling to gauge the vote-drawing appeal of various potential ticket combinations.

A spokesman said Mr. Bush had no intention of "parading people around" for auditions.

With the Democratic convention scheduled to start in Atlanta on Monday, Mr. Dukakis was peppered with questions at a news conference here about Mr. Jackson.

At first Mr. Dukakis tried to make light of the questions, saying,

"I haven't talked to Michael Jackson in months." He went on to say, "I want Jesse Jackson to be deeply involved in this campaign as a party leader."

"We want his support," he said. "We hope and expect he will be."

Lloyd Bentsen is close to George Bush on some policies. Page 3.

Some black leaders urged reconciliation, including the chairman of the Congressional Black Caucus, Representative Maxine Dymally of California. "Lots of fences have been mended," Mr. Dymally said after a closed session with Mr. Dukakis and Mr. Bentsen.

Representative Bill Gray, a Pennsylvania Democrat and the senior black House member, said he had been disappointed that Mr. Jackson was not the choice for No. 2.

"But it's been made," he said, "and I plan to support the ticket."

Two Democratic sources, declining to be identified, said Mr. Jackson was told privately Monday afternoon that he would not be picked. One source said a Dukakis emissary, Paul Broutas, told Mr. Jackson that "he would bring the ticket down" if nominated for vice president.

Mr. Jackson did not learn of Mr. Bentsen's selection until reporters asked him for a comment Tuesday morning, and the perceived snub had Mr. Jackson and his followers still seething Wednesday.

At his news conference in Washington, Mr. Dukakis said he had tried to notify Mr. Jackson by telephone of his selection of Mr. Bentsen, but failed to reach him before after a closed session with Mr. Dukakis and Mr. Bentsen.

Mr. Dukakis said, "I said I was sorry that I missed him on the first call."

Mr. Bentsen said he had spoken with Mr. Jackson by phone earlier in the day. "Jesse Jackson is a friend of mine and he is a very able gentleman," Mr. Bentsen said.

But not all of Mr. Jackson's supporters sounded ready for reconciliation.

Mr. Dukakis sought throughout the day to soothe any hurt feelings, with only occasional success.

He linked arms with members of the National Association for the Advancement of Colored People and sang "We Shall Overcome." He told the organization's convention in Washington that the Democratic Party had "opened up the door of opportunity to a couple of guys named Dukakis and Jackson, the top two candidates for the presidency."

When the NAACP president, Benjamin Hooks, told Mr. Dukakis that "knowing Jesse has been good for you," the Massachusetts governor replied, "I've learned a lot from Jesse and I've learned a lot from you."

Mr. Dukakis said Mr. Bentsen had been a civil rights advocate since "way back in the 40s," but

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Jesse L. Jackson



SUSPECTED TERRORIST — Mohammed Rashid, a Palestinian wanted in the United States for allegedly planting a bomb on a Pan Am airliner in 1982, being led to court Wednesday in Athens on charges of entering Greece on a false passport. Greek authorities believe the terrorists who attacked a Greek cruise ship Monday may have intended to force Mr. Rashid's release. Page 2.

U.S. Fears Chinese May Sell New Missile

By Elaine Sciolino
New York Times Service

HONG KONG — The United States has received a number of unconfirmed reports that China is trying to sell a shorter-range ballistic missile, the M-9, to Libya, Syria, Iran and Pakistan, a senior State Department official said Wednesday.

Reports surfaced last month of a possible Chinese-Syrian missile deal, but the official's remarks Wednesday reflect the clearest indication to date of China's apparent intentions to sell them to a number of buyers. "We are getting reports that they are being marketed in the area," the official said.

He added that even though the United States has been unable to independently verify the reports, "we take them seriously because of where this course could lead."

Secretary of State George P. Shultz will express intense U.S. concern about the proliferation of Chinese missiles in the region in recent months when he meets with China's leaders in Beijing in the next two days.

He and other administration officials believe that China's secret sale of ballistic missiles with a range of up to 1,600 miles (about 2,600 kilometers) to Saudi Arabia, the prospective M-9 sales and the increased use of chemical weapons in intermediate-range missiles by Iran and Iraq against civilian as well as military targets are changing the nature of warfare and threatening security arrangements in the Middle East.

Mr. Shultz will try to convince Chinese leaders that the destabilization of the Middle East is not in their country's interest.

"We have strong concerns about the problems being posed by ballistic missiles sales to the Middle East," the senior official said.

At a press conference in Jakarta on Sunday, Mr. Shultz called it an irony that the Chinese, who supported the recent U.S.-Soviet arms treaty eliminating medium- and shorter-range nuclear weapons, "are now producing those very same missiles and selling them."

He added, "I certainly do plan to talk about it."

The most recent U.S. concern is about the possible Syrian purchase of the M-9, a mobile, accurate solid fuel rocket with a range of between 300 and 600 kilometers, because it would be capable of striking Israel. China has officially denied that it has sold the missiles to Syria.

The U.S. official stressed that the M-9 missile system is still under development and that no deliveries have taken place. He added that the United States believes the Chinese have produced prototypes of the M-9 that they are testing in China, although it is not known how soon they will be produced.

The missile introduced a substantial longer-range weapons system into the region that might encourage other nations to acquire similar missiles, the official said. In addition, he acknowledged that since the missiles are very difficult to defend against and are impossible to recall once fired, their presence in a volatile region like the Middle East increases the risk of a pre-emptive strike.

When the United States learned of the secret Chinese-Saudi deal, it protested vigorously, and was given assurances by both countries that the missiles are intended for defensive use only and will not carry nuclear warheads.

Regarding the sales of the Silk-worm missile by China to Iran, the United States has accepted China's assurances that it is taking steps to keep them out of the arms market so that they will not end up in Iran, the senior official said.

In Nicaragua, Tension Rising

By Stephen Kinzer
New York Times Service

MANAGUA — By lashing out against its enemies and expelling American diplomats, Nicaragua was reacting to a political and economic situation that is deteriorating more rapidly than at any time since the Sandinista takeover nine years ago.

In a day of rapid-fire activity Monday, the government expelled the U.S. Ambassador, Richard H. Melton, and seven other U.S. diplomats.

The Sandinistas' actions were the most far-reaching measures taken against the political opposition since the signing of the Central American peace accord 11 months ago.

It also ordered the indefinite closing of the Roman Catholic radio station and a 15-day suspension of the opposition newspaper La Prensa.

In response, President Ronald Reagan said Tuesday that he was expelling the Nicaraguan ambassador and seven other Nicaraguan diplomats from the United States.

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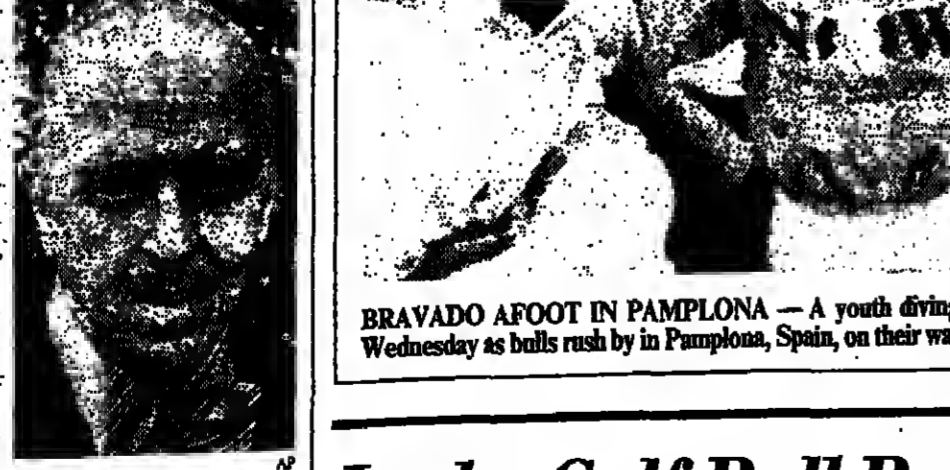
BRAVADO AFOOT IN PAMPLONA — A youth diving out of the way on the ring. No one was seriously hurt, but six persons were gored the day before as more than 1,000 youths ran at the San Fermin festival, which ends on Thursday.

House Passes U.S. Trade Bill

WASHINGTON (Reuters) — The House of Representatives on Wednesday strongly approved a sweeping trade reform bill designed to force open foreign markets that unfairly block American exports.

Passage of the trade bill, three years in the making, came hours after the Democrat-controlled House passed proposals for a legal requirement that companies give 60 days' notice of major plant closings and layoffs.

The Senate is expected to take up the trade bill later this month or in August.



Joshua L. Logan, the theater and film director whose hits included "South Pacific," is dead.

General News

Chester Crocker reported that Angola, Cuba and South Africa have reached an agreement on southern Africa. Page 6.

The U.S. House of Representatives passed a bill to expedite the closing of bases. Page 3.

Dow Jones	11.73
The Dollar	1.8423
DM	1.695
Pound	132.70
Yen	132.70
FF	6.2155

Fed Says Inflation Is Priority

By John M. Berry
Washington Post Service

WASHINGTON — Alan Greenspan, chairman of the Federal Reserve Board, warned Wednesday that if the U.S. economy's rapid growth does not soon slow significantly, the central bank will boost interest rates to avoid a surge of inflation.

Testifying before the Senate Banking Committee, Mr. Greenspan said that the Fed already expects much slower growth during the rest of this year and in 1989, partly as a result of earlier interest rate increases engineered by the central bank.

To make sure it does, the Fed is prepared to "err more on the side of restrictiveness than of stimulus," he said.

Mr. Greenspan did not use the phrase "full employment," but it was clear he believes that the United States has reached the point that unemployment, which dropped to 5.3 percent last month, cannot go lower without running the risk of a rapid acceleration of inflation.

U.S. factories are also operating close enough to their peak capacity to add to that risk, he said.

"Considering the already limited slack in available labor and capital resources, a leveling of the unemployment and capacity utilization rates is essential if more intense inflationary pressures are to be avoided in the period ahead," the Fed chairman declared.

In his midyear economic report, Mr. Greenspan said the Fed was increasing slightly its forecast for inflation-adjusted growth in gross national product this year, to a range of 2.75 percent to 3 percent. In February, the Fed had forecast growth at 2 percent to 2.5 percent.

Real GNP grew at an average annual rate of 4.3 percent between

See GREENSPAN, Page 13

Gorbachev Exhorts Warsaw on Reform

By Jackson Diehl
Washington Post Service

WARSAW — Mikhail S. Gorbachev, seeking to bolster the struggling Polish Communist leadership, praised General Wojciech Jaruzelski on Wednesday and urged that his government "not fear difficulties, not panic because of single failures."

In the third day of his tour of Poland, the Soviet leader made one of the most direct references yet to the deep economic troubles and social unrest that General Jaruzelski has faced, telling shipyard workers in the northeastern port of Szczecin that the reform policy being pursued in the Soviet Union and Poland "would have been worthless had it been deprived of the support of the workers."

At the same time, Mr. Gorbachev said he believed that workers supported programs of economic restructuring, and he urged "perseverance" on the part of both society and the authorities in the face of difficulties.

"More than ever is required from our nations from the working class, from the Polish leadership," he said.

The shipyard that Mr. Gorbachev visited was one of three along the Baltic coast hit by strikes in August 1980 that led to the formation of Solidarity, the independent trade union.

However, in keeping with the conservative, tightly controlled character of his Polish tour, Mr. Gorbachev made no reference to Solidarity and addressed only those workers chosen in advance by the authorities.

After being prompted by an interviewer on Polish state television, Mr. Gorbachev also praised General Jaruzelski, whose leadership now faces the most popular resentment since the early months of 1982.

See GORBACHEV, Page 2

Soviet Marshal Pledged Shift in Force Structure

By Walter Pincus
Washington Post Service

WASHINGTON — During his six-day visit to the United States, the Soviet chief of staff, Marshal Sergei F. Akhromeyev, repeatedly assured his hosts that there would be major, visible changes over the next few years in the structure of Moscow's military forces and in the way its military budget is put together, according to informed sources.

Admiral William J. Crowe Jr., the chairman of the Joint Chiefs of Staff, promoted the unprecedented discussions among himself, the Joint Chiefs and Marshal Akhromeyev and his delegation of top Soviet military officers, despite early objections from some State Department officials.

The talks were held in the secure "tank" in the Pentagon where the Joint Chiefs of Staff meet.

After the Soviet group left for Cuba on Monday night, Admiral Crowe described Marshal Akhromeyev as "surprisingly forthright and nonpolitical," according to sources.

A good foundation for future cooperation was created, these sources said, not only by the creation of joint study groups and an agreement on future visits, but also by a feeling of trust that grew between the two military leaders.

One night, Admiral Crowe introduced Marshal Akhromeyev to a U.S. audience as "a leader at a time of change." He also called the marshal a man "who can make a difference."

At various public meetings around the country, Marshal Akhromeyev and his delegation provided insights into the new views of the Soviet armed forces' leadership.

They expressed dislike of the structure of the Soviet military budget, under which the Defense Ministry pays for military forces, while research and weapons production

See GENERAL, Page 2

In the Golf Ball Business, a Costly Case of High Performance

By Warren Getler
International Herald Tribune

LONDON — Every duffer's dream of the perfect golf ball — one that flies farther and faster than the one he uses now — has been pulled off the market because it flew too far and too fast.

The new ball's illegal perfection will cost its manufacturer, Bridgestone Corp. of Japan, a billion yen.

Bridgestone announced that it would halt production and sales of the ball immediately, and that the 180,000 balls already delivered would be recalled.

It was the esteemed Royal and Ancient Golf Club of St. Andrews, Scotland, a governing body on international golf rules, that knocked the ball into the rough.

The Implements and Balls Committee decided last month to withdraw its approval of the ball, the Altus Newlog 432, when it discovered that the ball performed too well in initial velocity tests. The ball clocked in at just over 255 feet (77.4 meters) a second — 5 feet beyond the maximum.

"A lot of manufacturers have the technology to create a ball of any desired compression so that you could whack it more than 250 yards," said Lou Fishman, senior editor of Golf Digest, a U.S. magazine. "But that would mean scores would rapidly go down and the challenge would fade. If we want to keep golf courses a challenging situation and maintain the integrity of the game, then there's a need for standards."

"If you can put out a very hot ball — one that travels further than the regulations allow — you take the chance of changing the character of golf and outmoding many courses."

Alastair Cochran, one of six members of St. Andrews's Implements and Balls Committee, agreed.

"People are getting stronger, bigger and better at the game without help from improvement in the balls," he said. "Golf is not fun if it is either too ridiculously easy or too impossibly difficult. I see no reason to relax standards. If anything, there are pressures from many corners to make the velocity limits even lower, to tighten the restrictions."

The improprieties beneath the dimpled skin on the new ball were uncovered by the U.S. Golf Association, which uses the same standards on balls as St. Andrews and carries out initial velocity tests for all new entrants.

Manufacturers always try to get right up to the maximum velocity limit of 250 feet a second, said Michael Bozalack, secretary-general at St. Andrews. "Occasionally they get so close to the tolerance level that they go over the top. Any manufacturer can make a ball illegal, but there's no great merit in it because you can't sell them."

Bridgestone said it had made 240,000 Altus Newlog 432s since production began in late March. The company, Japan's second largest manufacturer of golf balls after Sumitomo Rubber, retails the ball for 600 yen (\$4.50).

Masami Aoki, a technical representative for Bridgestone in London, said the financial loss on a wholesale basis would amount to about a billion yen (about \$7.5 million).

The Altus Newlog 432 is a two-piece ball, with a strong, solid core and a protective cover of Surlyn. The ball had an overdose of chemical additives to its core, industry sources speculate.

Two-piece golf balls, now the most commonly used by amateur players, do not have an elastic-rubber thread wound around their cores as three-piece balls do. Professionals favor the three-piece ball because it is easier to control.

PEOPLE

Bob Hope's Honors Set Guinness Record

Bob Hope is to make the Guinness Book of World Records the most honored entertainer who never finished high school. The 44 honorary college degrees and the array of medals and honors including the Medal of Freedom and the Congressional Gold Medal.

The Deutsche Oper Berlin will perform two complete operas by Richard Wagner's epic "The Ring Cycle" next June. Maria Jensen, the artistic director, announced a cycle of four operas has been formed in Washington.

Lucas Carton, a Paris resident that rates three-stars in the Michelin guide, has been bought by the Asahi of Japan, a subsidiary of the Sumitomo group. After the ceremony, the celebrated chef will continue to run the restaurant while Asahi will acquire the name and its name. According to the chef, the sale will not change anything as far as customers are concerned, but will allow him to create an assortment of new foods which will be sold in Japan.

Mstislav Rostropovich will be featured over a West German radio report that Soviet leader Mikhail Gorbachev's new economic policy meant nothing to him. The National Symphony Orchestra's record from Paris in the old interview. In the interview, he said, "Glasnost exists, but we must wait and wait and wait. Truly open times come from Communist Party reforms in Moscow. Rostropovich said, 'My heart, I now support Gorbachev who are making this reform: the Soviet Union.'

San Francisco used to be opera had the opera of the Lia Belli, the estranged wife of Melvin Belli, outside her home. Mrs. Belli, 39, the fifth wife, 50-year-old lawyer, said, Monday a scar on her forehead was caused when he threw a marble. Belli called her wife's appearance a "disgrace" and was abusing her.

TODAY'S INTERNATIONAL BUSINESS MESSAGE CENTER

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GAL SERVICES

A. IMMIGRATION

STOPPING OVER BUSINESS SUGGESTIONS

FOR RESTAURANT CHECKING LISTINGS

DINING INSIDE WEDNESDAY INTERNATIONAL HERALD TRIBUNE TODAY ON

Market

UTOS TAX FREE

TRANSKO

TAX FREE CARS

DNA MOTORS A.S.

AUTO RENTALS

OPPORTUNITY MORE TO PAY

Greece Notifies U.S. That Bases Must Go

ATHENS — Greece notified the United States on Wednesday that U.S. military bases must be removed from the country by mid-1990, official sources said.

A letter from the Greek government said the four major U.S. military bases and 20 smaller installations had to be dismantled by June 1990, the sources said.

[In Washington, a State Department official confirmed in the International Herald Tribune that the Ministry of Foreign Affairs had sent a note to the U.S. Embassy in Athens providing the formal written notification of the intention to terminate the 1983 agreement.

But he said the United States had long anticipated that Greece would take this procedural step and said Washington did not expect the announcement to have any impact on negotiations.]

The present five-year agreement expires Dec. 31.

The Greek government, which is Socialist, has said it will pursue negotiations for a new pact. But talks, which began in November, are deadlocked.

About 3,700 U.S. military personnel are stationed in Greece, mostly at a U.S. Air Force supply base near Athens and a U.S. Navy supply base on the island of Crete.

The letter gives formal notification that the present agreement will expire and that under its terms the Americans then have 17 months to remove the bases.

Prime Minister Andreas Papandreu, who promised to close the bases when first elected in 1981,

bas said his government will keep negotiating even after the expiry of the present pact.

But eight rounds of talks have failed to break the deadlock.

Greece wants a new pact to include wording that could be interpreted as U.S. backing for its position in a feud over the Aegean region with Turkey.

The Americans have argued that such political language, however vague, has no place in an agreement on military bases. There has been no sign of a compromise.

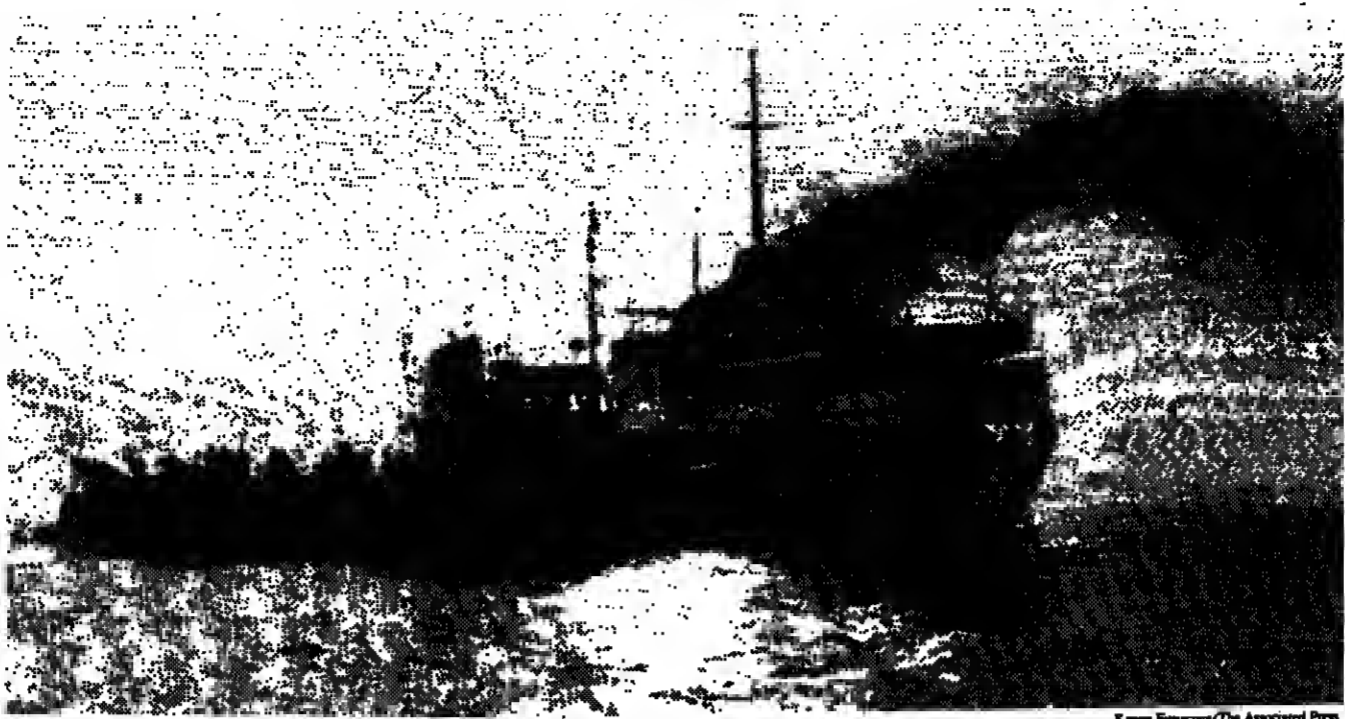
Finding a compromise will become increasingly difficult as the next Greek election, which must be held by June next year, draws near.

Western diplomats said it would be extremely difficult, and politically dangerous, for Mr. Papandreu to back down. He must have some wording in a new pact which can be portrayed as a victory during the election campaign.

Mr. Papandreu, who once held American citizenship and served as an officer in the U.S. Navy, has pledged to put any new pact to a referendum, saying: "Nothing will be done behind the backs of the Greek people."

Western diplomats in Athens have predicted for some time that Mr. Papandreu, a Socialist, would go into the next election with the U.S. military under threat of eviction in order to win leftist votes.

They have also suggested an agreement could be reached after the election and that some compromise would be found — such as closing the Hellenikon Air Base outside Athens.



A tugboat assisting the burning City of Poros cruise ship after it was attacked off the Greek coast.

Few Clues Found to Greek Ship Attack

ATHENS — A trickle of confusing and sometimes contradictory information has obscured many details about Monday's terrorist attack aboard a Greek cruise ship crowded with European tourists.

The Greek government quickly condemned the attack as "inhuman and criminal" and pledged tighter security, but has released few facts.

Government press spokesmen are unavailable, or say they cannot comment on the investigation. Senior Greek police officers say they cannot provide facts or comment on divergent accounts.

A coroner said Wednesday that nine persons died when terrorists opened fire with automatic weapons and exploded hand grenades on the Greek ship. Ninety-eight people were injured. Earlier reports said that as many as 11 persons might have been killed.

There were two claims Wednesday of responsibility for the attack, but the claims included no strong supporting evidence.

An unknown group in Lebanon said in a statement: "The Organization of Martyrs of the Popular Revolution in Palestine — Abu Jihad Unit — launched a swift attack on tens of Zimist, American and

British soldiers on board the Greek ship City of Poros."

The statement in Arabic was sent to an international news agency in Moslem West Beirut.

Also on Wednesday, Radio France-Inter in Paris reported that the pro-Iranian group Islamic Jihad carried out the attack to avenge the U.S. downing of an Iranian passenger plane on July 3. The claim could not be verified, the radio said.

The Palestine Liberation Organization strongly condemned the attack.

Bassam Abu Sharif, chief spokesman for Yasser Arafat, the PLO chairman, said Wednesday in Baghdad: "The Palestine Liberation Organization and the Palestinian people, being themselves victims of state-organized terrorism, strongly condemn this criminal attack."

"Greece is a country known for its friendly attitudes toward the Palestinian cause, and we cannot but condemn such attacks," he added.

The Greek deputy minister for tourism, Nikos Skoulas, said Wednesday that Skoulas was determined not to become "an arena for

WORLD BRIEFS

British Barrack on Rhine Is Bombed

BONN (AP) — Bomb explosions rocked a British Army barrack in the West German city of Duisburg early Wednesday, slightly injuring nine soldiers, the army said. Gunmen believed to be the attackers opened fire on the police, according to the police.

In a statement sent to the British Press Association news agency from Duisburg, the British Army took responsibility for the bombing. There was no indication whether the attack was intended as a reprisal for recent British strikes against IRA targets outside of Britain, notably the killing in March of three suspected guerrillas in Gibraltar.

The last reported assault against the 56,000 British uniformed servicemen based in West Germany was when three off-duty soldiers were killed during weekend leave in the Netherlands on May 1. The IRA said its guerrillas carried out that attack also.

U.S. Charges 7 as Contras' Suppliers

MIAMI (AP) — Federal prosecutors unsealed an indictment Wednesday charging seven persons, including the brother of the contra leader, Adolfo Calero, with illegally supplying mercenaries and weapons to the Nicaraguan rebels.

The long-awaited indictment did not mention any Reagan administration officials or Mr. Calero himself. Mario Calero was accused of recruiting and paying for mercenaries with the help of a Texas millionaire, Maco Stewart, and anti-Communist Cuban activists from the Miami area. Adolfo Calero's brother is based in New Orleans.

Also among those indicted were Thomas Posey, head of the Alabama-based Civilian Material Assistance, and Jack Terrell, a former mercenary who later revealed the alleged illegal operation. All seven are accused of violating the U.S. Neutrality Act, which bars hostile actions against foreign governments from U.S. soil.

Kuwait to Buy 245 Russian Vehicles

KUWAIT (Reuters) — Kuwait said Wednesday that it had agreed to buy Soviet armored personnel carriers and would examine British arms offered by the visiting British defense secretary, George Younger.

Defense Minister Sheikh Nawaf al-Ahmed al-Sabah Kuwaiti said he had signed a contract Saturday with a Soviet military delegation for 245 of the armored vehicles. He declined to estimate the value of the sale, but the Kuwaiti daily Al-Anbasa put it at \$300 million.

Mr. Younger said British arms offered included tanks, training and operational aircraft, patrol vessels and mine disposal equipment for land and sea. Kuwait also is seeking advanced U.S. fighters and missiles in a controversial \$1.9 billion purchase now under discussion in Washington by Prime Minister Sheikh Saad al-Abdullah al-Sabah.

Israel Cites Clash in South Lebanon

JERUSALEM (Combined Dispatches) — Israeli paratroopers on a search-and-destroy mission in southern Lebanon clashed with Arab guerrillas Wednesday, and the army said three guerrillas and one Israeli were killed.

The Israeli unit had been searching for guerrillas hideouts and rocket launchers when it encountered the guerrillas, the military command said. Israeli television said the guerrillas were members of the Iranian-backed group Hezbollah, or Party of God.

Meanwhile, two Arab teen-agers died Wednesday of bullet wounds from earlier clashes with Israeli troops, officials said. (AP, Reuters)

For the Record

Bad weather in the North Sea continued Wednesday to block efforts to cap the burning wells of the oil platform Piper Alpha, one week after the explosion that killed 166 men aboard the platform, a spokesman for the platform operator said in Aberdeen, Scotland. (AP)

A World War II bomb exploded in a field in northern Libya, killing a family of eight, the official Libyan news agency JANA reported Wednesday. The agency, monitored in Rome, said the 300-kilogram (660-pound) bomb exploded Saturday in Ban al-Zaytun. (AP)

French Socialists Move To Restore Wealth Tax

By Edward Cody
Washington Post Service

PARIS — The Socialist government decided Wednesday to reinstate a wealth tax, setting the stage for a crucial test of President Francois Mitterrand's attempt to enlist support from political centrists.

The measure, affecting 110,000 families worth four million francs (\$645,000) or more, would in effect restore a tax imposed when Mr. Mitterrand first took office in 1981. That tax, contested as a symbol of soak-the-rich thinking, was abolished by the conservative majority that governed under Prime Minister Jacques Chirac from 1986 until May.

Centrist leaders have warned that Prime Minister Michel Rocard's approach to getting the new measure passed in Parliament, probably in October, would be a measuring rod for future cooperation with the Socialist Party.

The warning presented Mr. Rocard with the choice of seeking support from Communists, who want a tough bill, or from centrists, who want a moderate tax.

"We will see which way he tips," said Pierre Méhaignerie, head of the Union of the Center.

Mr. Méhaignerie said earlier that he and his followers would not support the tax proposal as it now stands. Alain Juppé of the Gaullist

Secession Annulled by Azerbaijan

MOSCOW — The leadership of Azerbaijan annulled the decision by the Nagorno-Karabakh legislature to secede from the republic and accused officials of the disputed region of breaking the law and defying higher authorities, Tass said Wednesday.

The official press agency said the Presidium of the Azerbaijan parliament met Tuesday night, a few hours after the secession declaration by the Nagorno-Karabakh Soviet, the legislature.

"The regional Soviet of People's Deputies failed to secure strict compliance with principles of legality and the obligatory character of decisions of higher bodies for lower ones," Tass quoted the Azerbaijan Presidium as saying in a resolution.

Tass said the Presidium also accused the Nagorno-Karabakh legislature of having "openly encroached on the national-state composition of the republic."

The agency said the Presidium of the Azerbaijan legislature, known as the Supreme Soviet, proclaimed the declaration of secession "null and void and revoked it."

Armenians have been pressing for five months for the Nagorno-Karabakh Autonomous Region to be annexed to the republic of Armenia. Nagorno-Karabakh's population is mainly ethnic Armenian.

The campaign has brought Nagorno-Karabakh's Armenians into direct confrontation with central authorities in Moscow and as well as with Azerbaijani authorities.

[News of the vote by the Nagorno-Karabakh assembly was neither officially announced in Moscow nor in Baku, the capital of Azerbaijan, but 200,000 people who had gathered in the Armenian capital of Yerevan on Tuesday, for the third day running, rejoiced at the news, witnesses told Agence France-Press.]

Nagorno-Karabakh's declaration of secession was the first such action in the 70 years of Soviet history. It immediately raised constitutional and legal questions.

While the Soviet constitution gives citizens the right to self-determination, it requires a republic's consent for any proposed changes in its boundaries. Nagorno-Karabakh has been an autonomous region of mainly Moslem Azerbaijan since 1923, even though more than three-quarters of its 160,000 residents are ethnic Armenians, who are predominantly Christian.

On Feb. 20, the Nagorno-Karabakh legislature asked the Azerbaijani and Armenian governments to approve transfer in Armenia. The Armenian legislature agreed June 15, but that of Azerbaijan said no two days later.

The Nagorno-Karabakh legislature announced Tuesday that the area was being renamed the Artsakh Autonomous Region of Armenia.

To back their demand, Armenians in Nagorno-Karabakh and Armenia have been striking and holding street rallies sporadically since February.

GORBACHEV: He Outlines His 'Immense Task'

(Continued from Page 1)

when Solidarity was suppressed under martial law.

"I will tell it directly to you Poles," he said.

"You were lucky that at this stage of history there has appeared a man of high moral standards and tremendous intellectual abilities who loves this land and is a great internationalist."

As Mr. Gorbachev spoke, steel workers at a large mill in the southeastern city of Stalowa Wola staged the first reported strike since a 16-day wave of labor protests rocked Poland in April and May.

Opposition sources said that up to 2,000 of the 18,000 workers at the mill had stopped work to demand the reinstatement of seven Solidarity activists dismissed after a strike in May.

By late Wednesday, the strike appeared to be limited to a few hundred workers in the research department of the mill, the sources

TRAVEL UPDATE

spokesmen said on Wednesday of popular apathy and disappointment with Mr. Gorbachev's visit. Few people not assembled by the authorities have turned out to see his public appearances, and even some of those invited to the shipyard assembly could be seen leaving the hall before it had ended, Western observers said.

The Soviet leader's appearance in Szczecin was intended in part as a gesture of continuing Soviet support for Poland's post-1945 borders. Szczecin was a German city, called Stettin, for centuries before being awarded to Poland by Stalin, and an enduring obsession of the Polish reform policy establishment has been demonstrating that the territory is, in fact, Polish.

Mr. Gorbachev returned Wednesday night to Warsaw, where he was to conduct talks with the Polish leadership on Thursday before presiding at a meeting of Warsaw Pact leaders on Friday and Saturday.

Colleagues of the two men said they had been acting as escorts for a group of visiting congressional aides.

Peace talks between the government and the contras collapsed June 9, and an official closer to the talks said Sandinista leaders were "terribly frustrated" at their failure to obtain a final cease-fire agreement.

This might have led to a surge of economic aid for the devastated Nicaraguan economy.

During that round of talks, Sandinista negotiators expressed willingness to make new political concessions, but the contras said the government offer was inadequate.

Opposition leaders said they expected the steps taken Monday to sharpen the already tense political confrontation in Nicaragua.

PARTY: Jackson Ired

(Continued from Page 1)

some in the audience boomed when the Texas senator took the microphone to speak.

Mr. Jackson brought the delegates attending the NAACP convention here Tuesday night to their feet by detailing his progress throughout the election year, ending: "I may not be on the ticket, but I'm qualified!"

"Qualified! Qualified!" the crowd chanted in response, at the urging of Mr. Hooks.

Mr. Jackson also alluded to the day's disappointment.

"I am expected to register, motivate and deliver more votes than any congressman alive," he said to loud cheers. "And for that work, there must be partnership, equity and shared responsibility."

(AP, UPI, WP)

MANAGUA: The Situation Is Rapidly Deteriorating

(Continued from Page 1)

the defensive, and they have lost the base of support which they once had in the poorer classes," he said.

The Nicaraguan economy is in a state of collapse, and there are growing reports of hunger and suffering. The Nicaraguan currency on the official market has plunged from 13 cordobas to \$1 a month ago to 325 in \$1 Tuesday. Opposition political parties, joined by anti-Sandinista trade unions, have united to demand sweeping economic and political changes.

Sandinista leaders said the steps taken Monday were necessary because the opposition, encouraged by Mr. Mellon, was engaged in a subversive plan.

President Daniel Ortega Saavedra has been warning that President Reagan was determined to end Sandinista rule before leaving office.

Although Congress cut off the flow of American weapons to the contras earlier this year, the administration has not wavered from its strong anti-Sandinista position.

The decision by Secretary of State George P. Shultz not to visit Central America strengthened the Sandinistas' conviction that the United States was mounting a new campaign against them.

The Nicaraguan foreign minister, the Reverend Miguel D'Escoto Brockmann, who announced the American diplomats' expulsion, called the Reagan administration "essentially irrational" and said he could not predict how it might react to this week's events.

Mr. D'Escoto condemned opposition groups that he said were working at the service of the U.S. Embassy.

"It is sad and unfortunate that these lackeys, these morally weak people, have lent themselves to the interests of the United States," he said. "They are true moral catastrophes, pathetic people who adjust their conduct to that of the U.S. Embassy."

Reagan Pushes Envoy to Leave

WASHINGTON — The State Department said Wednesday it expected the Nicaraguan ambassador, Carlos Tunnerman, to comply with an order expelling him from the United States. President Ronald Reagan warned that he was "going to get a big surprise" if he did not.

Mr. Tunnerman is expected to claim the right to stay in Washington on grounds that he also is Nicaraguan ambassador to the Organization of American States.

A U.S. spokesman said: "It would be unprecedented for a foreign envoy to refuse to comply with such an order."

GENERAL: Soviets Pledge to Revise Force Structure

(Continued from Page 1)

a Soviet strategic attack. The Soviets said they considered the exercise dangerous because they cannot always assess what is going on. They believe the exercise involves 30 percent of the Strategic Air Command's B-52 and B-1B bombers.

They also asked for advance notice of Autumn Force, a regular NATO exercise in which 300,000 to 400,000 troops are involved in Western Europe. "We have to work hard to tell that from real war," a Soviet official said.

The Soviets said that both Moscow and Washington had held "confidential conversations" during the cold war, and that both sides had failed to take advantage of opportunities to reduce military tensions. They acknowledged that 40 years of tensions between the United States and the Soviet Union had cost both superpowers dearly, and they credited the Reagan administration for the "new view" that led to both nations "discarding Cold War notions" beginning in 1985.

The Soviet officers said that the Defense Council, the top Soviet na-

...entsen Clo...
...the Senator Has...
...I. Closes...
...Beaches for...
...Sewage Spill...
...BONESBURY

وڪڙامن الڪجهل

هكذا من الفصل

D BRIEFS

on Rhine Is Bombed
ions rocked a British Army barracks in the early Wednesday, slightly injuring one believed to be the attacker's brother.

is Contras' Suppliers
sectors unseated an indictment Wednesday including the brother of the contra leader applying mercenaries and weapons to the

245 Russian Vehicles
said Wednesday that it had agreed to carriers and would examine a Russian defense secretary, George Yomger

ish in South Lebanon
Dispatches — Israeli paratroopers in southern Lebanon clashed with the army said three guerrillas and one

Sea continued Wednesday to block oil platform Piper Alpha, one week after aboard the platform, a spokesman for Aberdeen, Scotland

atrollers End Protest
Greek air controllers ended a two-day strike that had delayed international and domestic flights

ys Bends on Smoking
British Airways, bombarded with protesters, has decided to abandon its cigarette spokesman said Wednesday

ating Reagan Pushes Envoy to Leave
WASHINGTON — State Department spokesman said Wednesday it expected to announce the departure of Reagan's

to Revoke Force Structure
State and city officials said that they had not traced the source of any of the medical waste on the city or Long Island beaches, but they said they hoped that it eventually would be found.

DOONESBURY
HON'T THE STAFF TAKING IT MARLIN? NOT VERY WELL, SIR...
A ZERO-TOLERANCE POLICY HERE STRIKES EVERYONE AS A BIT EXTREME. AFTER ALL, ACCORDING TO YOUR WIFE, YOUR OWN CHILDREN MAY HAVE EXPERIENCED WITH DRUGS...
AND CAN YOU SAY UNEQUIVOCALLY THAT DURING YOUR HOLYWOOD DAYS, YOU NEVER ONCE USED DRUGS?
WITH ALL DUE RESPECT, SIR, THAT SPEAKS VOLUMES.
UM... I DON'T RECALL.

Bentsen Close to Bush on Some Policies

But the Senator Has Led Democrats Against White House on Several Issues

By David E. Rosenbaum
WASHINGTON — To many respects, Lloyd Bentsen resembles George Bush more than he does Michael S. Dukakis. Like the vice president, Senator Bentsen is a Texan from a wealthy family, a bomber pilot in World War II who earned a fortune in business and served briefly in the House of Representatives before moving into bigger political pastures.



George Bush and Lloyd Bentsen during the 1970 campaign when they were opposed for a Texas Senate seat. Mr. Bentsen won.

Panama Refuses to Work On Canal Agency With U.S.

By Robert Pear
WASHINGTON — Panama is refusing to take part in the work of the agency that manages and operates the Panama Canal. State Department officials say.

N.Y. Closes House Passes Bill on Base Closings

Beaches for Sewage Spill

By Jane Gross
NEW YORK — All the municipal beaches in the New York City boroughs of Staten Island and Brooklyn were closed Tuesday when sewage gushed into New York Harbor after a power failure, adding new concerns for beachgoers and health officials following recent reports of medical waste on the shoreline.

Joshua L. Logan, 'South Pacific' Director, Dies

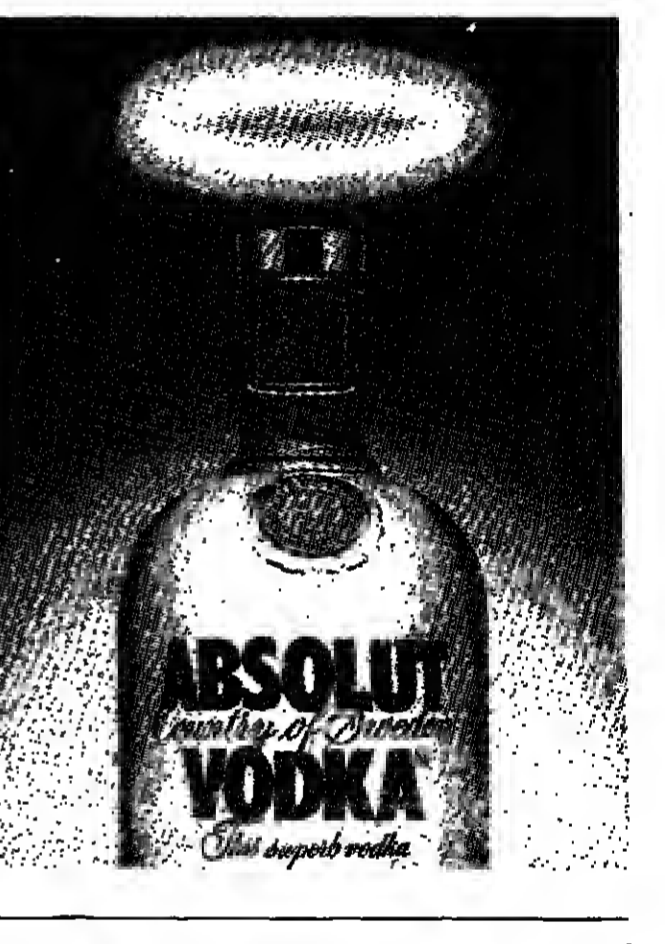
NEW YORK — Joshua L. Logan, the director of some of Broadway's most enduring and prestigious hits, among them "South Pacific" and "Mister Roberts," died Tuesday at his home in New York. He was 79.

China Frees 52 Monks Held Since Tibet Riots

BEIJING — China has freed 52 Tibetan monks detained during independence protests in Lhasa in March, during which between eight and 30 people were killed, according to eye-witnesses.

U.S. Doesn't Scan Radio That Guides Airliners in Gulf

By Richard Halloran
WASHINGTON — U.S. warships in the Gulf do not routinely monitor civilian air-traffic control channels and have not been ordered to do so following the U.S. downing of an Iranian airliner last week, according to navy officers.



INTERNATIONAL POSITIONS

Purchasing Officer Office of Project Services
The United Nations Development Programme's Office of Project Services (OPS) seeks candidates for the position of Purchasing Officer at its Headquarters in New York.

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Redress Without Strings

President Reagan has decided to pay compensation to families of those who died in the Iranian airliner mistakenly shot down by the USS Vincennes...

Sam Nunn and former Secretary of State Henry Kissinger would see payment to a cease-fire. Both proposals open the possibility of a dialogue that might further the overriding U.S. goal of ending the Iran-Iraq war...

Dukakis Picks an Insider

The first thing MSD and LMB should do, now that they've become an item, is drop the JFK and LBJ bit. This isn't 1960, George Bush isn't Richard Nixon, and Messrs. Dukakis and Bentsen are most emphatically not John Kennedy and Lyndon Johnson...

Mr. Bentsen brings to the ticket all the help and vices that were quickly mentioned on Tuesday—in his native Texas, a critical electoral state in which he beat George Bush for the Senate in 1970...

Other Comment

NATO Needs an Agenda

While the West's reactions to eye-catching Gorbachev proposals have sometimes seemed negative, less flashy Western initiatives have produced actual results. These successes have been underused. For all Mr. Gorbachev's olive branches, Soviet industry still churns out 3,500 new tanks a year...

region, Mr. Shultz no doubt used the expression NATO-like to distinguish what he had in mind from the European Community. That he should have chosen the Bangkok meeting to float the proposition was especially apposite...

A Raw Deal for Women

Women hold up half the sky, as the saying goes, but here on Earth they get a lousy deal. That is the only conclusion to be drawn from a new study by the Washington-based Population Crisis Committee...

Toward a Pacific Community

Since World War II there have been occasional proposals to establish an overarching Pacific security umbrella. None have ever come to anything. But what we are seeing now in the Pacific is the prospect for cooperative opportunity the like of which the world has not seen before...

Let Moscow Cut the Rhetoric and Get Down to Dealing

By Flora Lewis

BRUSSELS—Talk about a more stable European security relation is burgeoning but isn't getting anywhere yet. Mikhail Gorbachev sounds impatient. Now he offers a pan-European summit, like his Reykjavik meeting with Ronald Reagan...

Real security through disarmament has to come in balanced, clearly visible steps.

difficulties in the way of getting beyond conventional arms talks. Mr. Gorbachev keeps referring to Reykjavik as a breakthrough. Talks with Soviet officials in Moscow show that only a few seem aware of what a fiasco it was considered in Western Europe...

major controversy in East-West arms control for well over a decade. The Soviets finally accepted leaving them out of the medium-range missile negotiations, but are now trying a new approach, taking advantage of Spanish and Italian politics.

Real security through disarmament has to come in balanced, clearly visible steps.

There are a lot of complex, specific problems at issue. The Russians are having trouble with Romania, which is holding up the human rights section of the Vienna conference. The West wants this concluded before moving on to new disarmament sessions.

prospect of bringing the Cold War to an end reopens all kinds of assumptions without providing new answers. What will happen in Eastern Europe? It is possible to glimpse a much better, safer Europe over the horizon, but it is still hard to see how to get there without serious dangers.

Real security through disarmament has to come in balanced, clearly visible steps.

There are a lot of complex, specific problems at issue. The Russians are having trouble with Romania, which is holding up the human rights section of the Vienna conference. The West wants this concluded before moving on to new disarmament sessions.

alongside the inexorable Soviet military buildup. Real security through disarmament has to come in balanced, clearly visible steps.

Real security through disarmament has to come in balanced, clearly visible steps.

There are a lot of complex, specific problems at issue. The Russians are having trouble with Romania, which is holding up the human rights section of the Vienna conference. The West wants this concluded before moving on to new disarmament sessions.

Conventional Defense Isn't Enough

By Stanley Kober

WASHINGTON—In a recent speech to the Atlantic Council, Michael Dukakis indicated that if elected president he would emphasize the development of conventional as opposed to nuclear weapons. His position reflects a widespread consensus that the American nuclear umbrella is no longer credible...

forces have had to depend on supply lines... running dangerously close to the battlefront... In the aggregate, these adverse logistic factors justify a conviction... that a sustained conventional defense is not possible.

Mexico: A Silver Lining Behind the Paradoxes?

By Jorge G. Castañeda

MEXICO CITY—The problem with holding competitive elections in which the outcome is predetermined is that credibility and legitimacy suffer. That is the moral of last week's elections in Mexico, and it is one of the burdens that Mexico's next president will carry into office.

When the results finally were made public, the state by state breakdowns brought more suspicion. In contrast to urban Mexico, where Mr. Cárdenas or Manuel Clouthier, the candidate of the rightist Partido Acción Nacional, won clearly every city...

peasants and the caciques. He is indebted to the votes tallied, but not necessarily cast, to the poorest, most isolated and most ignorant rural areas where, after much hesitation, caciques delivered the vote.

Building up conventional forces for the defense of the central front and Japan does not seem to provide much protection, which is why nuclear weapons look so attractive. For political reasons, however, neither West Germany nor Japan can acquire nuclear weapons.

This American Election Could Settle Something

By David S. Broder

TACOMA, Washington—At every stop along the Pacific Coast, in California, Oregon and Washington, Michael Dukakis has heard the same message: You are ahead of George Bush out to this state and you have a chance to win.

there's a clear sense we can't build the kind of future we want on a credit card. The drug issue is adding to it. Young families don't have a sense anyone is out there trying to help them protect their youngsters.

in an interview after a similar western trip a week earlier. Mr. Bush said he was sure that before November's balloting the health of the economy and the progress in U.S.-Soviet relations—the traditional peace and prosperity issues—would displace everything else in voters' minds.

The question must be put to them: Where is the evidence that Soviet leaders doubt the credibility of the American nuclear guarantee? Where is there a statement by a Soviet leader exclaiming, "Comrades, we have operationalized the American nuclear umbrella?"

Bentsen Looks Like a Sensible Choice

By James Reston

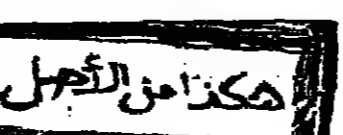
WASHINGTON—I can't very well pretend to be objective about Michael Dukakis's choice of Lloyd Bentsen as his running mate, since the gentleman from Texas is my neighbor in Washington. But I can testify that he is a gentleman and a good neighbor, which is more than can be said about some vice presidents I have known.

employment rate is down to 5.2 percent, the lowest in over 14 years. Still, Governor Dukakis is ahead of Vice President George Bush in the polls, probably because the Reagan administration has been battered by scandals and accidents.

of strategic nuclear weapons. His wary skepticism may be right and the president's lazy optimism may be wrong, but right or wrong, the vice president must not discourage Mr. Reagan from campaigning enthusiastically for the Republican ticket.

That fundamental difference could define a decent and decidedly useful presidential campaign. If the two candidates are strong enough to keep their ad men from gimmicking it up, Americans could have an election that means something—and settles something.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1978-1983 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen



Vertical advertisements on the right edge of the page, including 'This Under...', 'Airbus Transport...', 'THE BEST MIX A BE MARTINI', and '1938: Bastille Day Feted'.

OPINION

This Understandable Accident Is Regretted

By William F. Buckley Jr.

NEW YORK — Moral mathematicians can conclude with some safety that the United States government does not owe the government of Iran anything at all, given the history of their coexistence.

of Flight 655. And when you come up with reparations for our diplomats, we will discuss reparations for the 290 victims of your flight.

one should for safety's sake assume that attentions were aggressive. Having done so, why wait until the plane was nine miles away, given your knowledge that the Iraqis' Exocets were dropped 10 miles away?

Real Bodies, Unreal Words

By Lara Marlowe

PARIS — A middle-aged man named Farid was going from body to body in a cold storage depot in Bandar Abbas when we arrived in view the remains of Iran Air Flight 655.

as be lifted blankets off burned and mutilated bodies in the "unidentified" row of corpses, searching for three close relatives.



LETTERS TO THE EDITOR

The Airbus Tragedy: Who Is to Blame?

Why be scandalized when a plane is shot down? The task of soldiers is fighting and killing, and of course they, too, commit mistakes.

The international community would be compounding the tragic loss of life that resulted from the shooting down of the Iranian Airbus if it allowed its legitimate sympathy for the victims and their families to be exploited by an Iranian regime that has clearly shown its lack of concern for human life.

The captain of the Vincennes would not have been placed in the unenviable position of having to decide whether to fire at the plane if the Iranian authorities had not avoided complying with UN Security Council Resolution 598, which asked Iran and Iraq to cease fighting prior to negotiating a settlement that would safeguard both countries' borders and sovereignty.

The humane approach to the destruction of the Airbus must be an intensified international effort to end the Gulf war, bring peace to the Iranian and Iraqi peoples and restore the Gulf as a peaceful waterway where all ships can go about legitimate business free from fear of attack.

MICK ASHLEY, Brighton, England.

How America's highly trained and well equipped naval forces mistook an Airbus for an F-14 fighter jet demands further explanation. The U.S. attack, causing the deaths of 290 Iranian civilians, clearly was not "defensive," as the Reagan administration suggests.

The United States has proved its presence there to be both offensive and destructive; the lingering question is when the American people will demand the withdrawal of U.S. forces from the Gulf, and a non-interventionist foreign policy, rather than one that virtually declares war.

PAULA M. GARDNER, Geneva.

It seems the Americans are out of their wits. With all that high-tech gear, mistaking an Airbus for an F-14 is criminal. No peace will come from the U.S. presence in the Gulf.

NADA AL-IRAQI, Madrid.

Too much importance is being attached to the ship's radar incapacity to distinguish between different aircraft. Even if such a distinction were possible, overflight of a battle-damaged or narrow-bodied, is bound to arouse suspicion. There is no guarantee that an innocent-looking passenger plane could not be used for hostile military missions.

JOZEF GOLDBLAT, Bromma, Sweden.

John Paul Jones, father of the United States Navy, said in his "Qualifications of a Naval Officer": "Be quick to distinguish between

well intended shortcomings and needless and stupid blunders."

As to the tragedy in the Gulf, the public's attention should be called to the radar cross section of an A-300 Airbus and the F-14 in a "nose-on" attitude and not in a side view.

After all, if the threat was not coming straight in there was no ostensible need to put up defensive fire.

The graphic departments of many newspapers, by depicting the difference between the two airframes in the side view, acted in a needless and stupid blunder mode.

Consider further that the echo from any target decreases as the square of its distance from the radar receiver. Without computing the nine-mile radiation pattern in a "nose-on" attitude of an A-300 vs. an F-14, one could conclude that the differential was not discernible to a radar operator whose intelligence brief had warned of air attacks and who already had been involved in confrontations with surface craft.

After the tragedy of the frigate Stark, one must believe that the U.S. Navy's rules of engagement in the Gulf have changed. It is fair to conclude that Captain Will Rogers acted in the John Paul Jones tradition and in accordance with his standing operating orders. His was a well intended shortcoming at worst.

HARRY F. EUSTACE, Gerrards Cross, England.

Yes, the downing of Iran Air Flight 655 was a tragic mistake. Yes, the United States should make proper reparations to the families of

all those aboard. I have every confidence that this will happen; America has always been benevolent toward those it has injured.

But the historians of the Iranian government will do little to further any U.S. attempt at success. Attempts to reap political gain by intervening polemically between the United States and suffering Iranians will only add to their misery.

We must remember the loss of life by U.S. Marines sleeping in their barracks in Beirut. That was no accident. We must remember the 16 days of physical and mental torture of noncombatants aboard the Kuwait Airways flight from Bangkok to the Middle East. That was no accident. We must remember the holding of an entire American diplomatic mission for more than 400 days. That was no accident.

ROBERT J. STRATTON, Sandhausen, West Germany.

Congratulations for the unbiased editorial "In the Captain's Shoes" (July 6). However, as a former naval aviator with nine years of active duty and, subsequently, as an airline captain for 30 years flying internationally, I find William Pfaff's conclusions misinformed and vitriolic. ("The Officer Used to Be Responsible," July 6).

KENNETH WINSOR, Lucca, Italy.

What would happen if an American commander in good faith erroneously shot down an airplane whose passengers included members of the Soviet government?

KURT KAUFFMANN, Lucerne, Switzerland.



Think of Wallenberg and Ease Up on Gromyko

Since when have diplomats been held to blame personally and in perpetuity for every government statement they may have relayed during their careers? It is a dangerous mistake to blame Andrei Gromyko for the Soviet Union's dis-proven claim that Raoul Wallenberg died in 1947 ("Mystery Within a Mystery: Gromyko and Wallenberg," July 6, by A. M. Rosenberg).

It is a mistake because there is no suggestion that Mr. Gromyko was responsible for the content of the memorandum on Mr. Wallenberg's putative death, which he signed and delivered because it was his job to sign and deliver it without necessarily knowing anything about the matter. It is dangerous because the fallacy that Mr. Gromyko was responsible for declaring Mr. Wallenberg dead makes it difficult for Moscow to say anything to the contrary without appearing, in the eyes of the West, to be attacking him.

Mr. Wallenberg was an inspired iconoclast of the type best suited to the defiance of tyranny. (Other examples: Schindler, Bukovsky, Sharansky.) He had, in addition in virtue and courage, a bizarre ingenuity, limitless chutzpah, a sense of timing acquired from the Marx brothers and the constitution of an

ox. It will be time to talk of monuments and mourners when we know that he is dead. But while there remains a good chance that he is alive, it is his freedom which we must demand, not just a different version of his supposed death.

Anyway, the original note did not state categorically that he was dead; it said that someone named Wallenberg (a not uncommon Baltic surname) had died and it was probably the same man. So the Soviets left themselves a loophole, which they might be persuaded to exploit if we stopped putting all the blame on poor old Grim Grim.

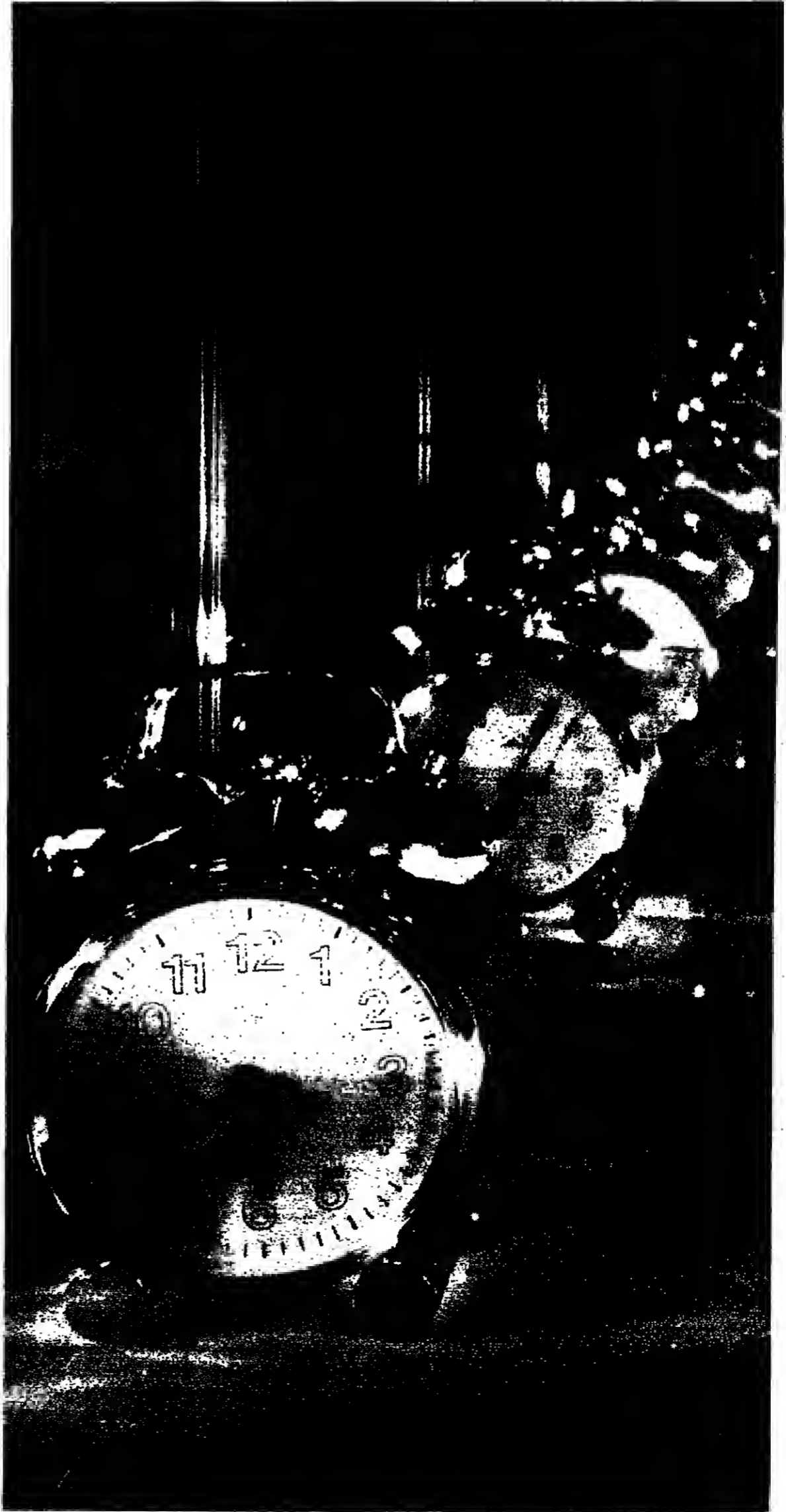
CLAIRE JORDAN, London.

Not All That Simple

What Rudolf Voll (Letters, June 15) is asking Americans to do, in emulation of the Japanese, is not just "early to rise." It is also late to bed, with scarcely any vacation. American families cherish their time together. The American mode of living happens to be the envy of most of the world. Has Mr. Voll considered the suicide rate among young Japanese?

V. LARRU, Brussels.

THE BEST OF TASTE: MIX A BEEFEATER MARTINI. Taka Beefeater Gin and dry Vermouth in a proportion anywhere from 2:1 to 1:5 to 1. Pour into an ice cold mixing glass with ice, stir and then strain. Add a twist of lemon. Cheers! For a recipe leaflet which further demonstrates the excellence and versatility of Beefeater Gin why not write to: James Burrough, Beefeater House, Montford Place, Kennington Lane, London SE11 5DF, England. THE GIN OF ENGLAND



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JAYI COLISA

Hammadi Admits Smuggling Explosives to West Germany

By Alan Cowell
New York Times Service
BONN — Mohammed Ali Hammadi, who is accused of hijacking an American jetliner and murdering a U.S. Navy diver, admitted to a Frankfurt court Wednesday that he had smuggled explosives into West Germany.

The admission, made on the third day of his trial before a juvenile court, contradicted a statement denying knowledge of the explosives made soon after his arrest in January 1987 at Frankfurt airport. Mr. Hammadi, who until Wednesday had said nothing during the trial apart from spelling his name on the first day, also denied any association with the radical pro-Iranian group Hezbollah, or Party of God.

According to some reports, his older brother, Abdul-Hadi Hammadi, acted as security chief for the group. He failed, furthermore, to clarify the question of his age, and accused West German investigators of extracting confessions from him by "psychological torture."

In his opening statement to the court that lasted almost one and a half hours, Mr. Hammadi spoke of his childhood in Beirut and his firm belief in the Muslim religion.

Asked by Heiner Mueckenberger, the presiding judge, about his religiousness and its political implications, Mr. Hammadi replied: "Religion is politics and politics is religion."

The principal charges of air piracy and murder were not addressed Wednesday.

Mr. Hammadi is accused of leading the hijacking of a Trans World Airline jetliner in Beirut in June 1985 and of beating and murdering one of the hostages, a navy diver, Robert Dean Stethem of Waldorf, Maryland, whose family members are attending the Frankfurt trial as co-plaintiffs with the prosecution.

Mr. Hammadi was arrested in January 1987 at Frankfurt airport while in the possession of seven bottles of the liquid explosive methyl nitrate concealed in wine bottles. Asked in court about this, he replied quietly in Arabic to his interpreter: "Yes, that's right. I tried twice to carry explosives and was caught the second time."

"A certain person in Lebanon asked me to take explosives into West Germany and to hide them. I did that."

"I don't know for what reason I brought them in. The person who asked me didn't say why," he added without elaborating further.

Mr. Hammadi did not clarify the question of his age, which will determine the length of sentence if he is convicted, saying only that he was "one or two years younger" than given in the charges.

According to the charges, he turned 21 on the eve of the hijacking and is therefore now 24 years old.

If convicted as an adult, he would face a life sentence. But if the court finds that he was an adolescent of between 18 and 21 at the time the hijacking was planned, the judge could reduce the sentence to 15 years. If he is deemed a youth of under 18, then the maximum term would be 10 years.

The lack of clarity about his exact age has led to the case appearing before the juvenile court. He accused his West German in-

terrogators of trying to force him to admit that he was a member of Hezbollah and to confess to the explosives charges, saying that they told him: "If you don't admit in both we will extradite you to the United States and we will step up the conditions of your torture captivity."

The West German government last year turned down a U.S. request for his extradition to face trial there, with Bonn officials admitting that they were influenced by fears for the fate of two German hostages held in Beirut. One of the hostages was released soon after the extradition request was refused.

Crocker Reports A Tentative Pact Is Set on Angola

Compiled by Our Staff From Dispatches
NEW YORK — Angola, Cuba and South Africa have agreed that Cuban troops will withdraw from Angola and South Africa will end its 73-year rule over South-West Africa (Namibia), the U.S. assistant secretary of state, Chester A. Crocker, said Wednesday.

But the parties did not agree on a timetable for the Cuban withdrawal at this week's private meetings. Mr. Crocker said during a news conference at the U.S. Mission to the United Nations.

South Africa had said it will accept a UN Security Council resolution calling for Namibia's independence under black majority rule once the estimated 50,000 Cuban troops withdraw from Angola.

Angola's chief negotiator, General Antonio dos Santos Franca, said a number of problems remained to be addressed at the next meeting in the first week of August. "We are still involved in a war," he said. "That is the biggest difficulty that we have."

South Africa, Angola and Cuba said in a joint communiqué they had adopted principles for a settlement in the southwestern region of Africa that would be subject to approval by their governments.

"Negotiations have stayed on track through London, Cairo and now here and we have been able to overcome a number of important problems," Neel van Heerden, the South African delegation leader, said.

Mr. van Heerden, who is South Africa's director-general of foreign affairs, said there was a long way to go to end Angola's 13-year-old civil war.



HOLD ON TIGHTLY — A British double-decker bus was converted into a pub recently in central Osaka, Japan. It is called Piccadilly Circus and was bought by a Japanese construction company from London Buses Ltd. The interior has been remodeled to resemble a public house.

ASIAN TOPICS

Japan Said to Import Endangered Species

Japan has been denounced in a report by the Japanese branch of the World Wildlife Fund for continuing to import products from several endangered species.

The New York Times reports. Already widely criticized for its decision to kill 300 whales this year for "research," Japan is a signatory to the Convention on International Trade in Endangered Species of Flora and Fauna. But it adopted the convention with reservations that allow importing of 36 of the hundreds of species listed in the treaty, including salt-water crocodiles from Indonesia and monitor lizards from Bangladesh. The skins of both are used in making items like handbags and shoes.

Atsushi Kawashima, director of the import division of Japan's Ministry of International Trade and Industry, said that "we are not very proud" of the exemptions, and that the government plans to reduce them gradually. World Wildlife said Japan also imports what are almost certainly organs from endangered bears, mislabeled as coming from a species not covered by the treaty. The dried organs are used to prepare Oriental folk remedies. Mr. Kawashima said customs agents have trouble determining which species of bear a shipment of gall bladders comes from.

Around Asia

China's film industry is going through a crisis which can only be resolved by ending the state and party monopoly and giving studios complete autonomy, according to the Guangming Daily, considered the journal of China's intellectuals.

It said in a front-page article that of the 142 films produced last year, 108 lost money. One-third of Chinese movie theaters also ran a deficit, it said.

The population of Asia will reach three billion at 12:47 A.M. Greenwich Mean Time on Aug. 10, according to United Nations estimates.

Last July the world population reached the five-billion mark, double the 2.5 billion in 1950. Gayl D. Ness, a University of Michigan sociology professor, said the population of Asia is expected to grow to 3.5 billion by the end of the century and to 4.5 billion in 2025, when the world population reaches 8.2 billion.

Tolls should be charged in the Malacca Strait in order to curb congestion and collisions that lead to pollution of the 40-mile-wide (65-kilometer-wide) waterway, Apriliani Sugiarto, director of Indonesia's Oceanology Institute, said last week after the fourth major oil spill in the strait in 12 months.

"High tolls would encourage vessels, particularly tankers, to use less crowded sea-lanes like the Strait of Lombok," he said. He said the tolls could be collected by the three countries bounding the strait — Indonesia, Singapore and Malaysia — and

used to tackle pollution and other problems in the strait.

Khomeini's Daughter Describes Family Life

Iran's revolutionary religious leader, Ayatollah Ruhollah Khomeini, reads the Koran, Islam's holy book, seven times a day, listens to the radio while bathing to keep up with the news and is an obsessive clock-watcher, his daughter says.

In a talk last month in students at Roshd High School in Tehran, published in the Islamic Revolution Martyr Foundation's magazine and reprinted in an unofficial English-language newsletter, Zahra Mostafavi, 49, who is married, said of her 88-year-old father, "His self-discipline is unbelievable." He "eats exactly on time. He wakes up exactly on time. He goes to bed exactly on time."

The ayatollah married Khanom Baiool Saghafi when he was a 29-year-old theology student and she was a teen-ager. They had two sons, one of whom died, and three daughters. Mrs. Mostafavi said her mother is "very sedate and cool."

She said her father "is very easy with his children. He has 14 grandchildren and a great-grandchild now. He allows the children a large degree of freedom. He doesn't preach to the grownups that they should do this or that. He sets examples by his actions." She added, "But he gets very angry at the slightest act forbidden by religion."

Arthur Higbee

India's Space Program Is Set Back a 2d Time as Rocket Fails on Takeoff

By Steven R. Weisman
New York Times Service

NEW DELHI — India suffered another serious setback in its ambitious space exploration program Wednesday when a powerful five-stage rocket failed minutes after takeoff and plunged with its satellite payload into the Bay of Bengal.

It was the second time in 15 months that India had tried and failed to launch the first of a new generation of rockets to place a 330-pound (150-kilogram) satellite into orbit. The satellite was about four times the size of earlier ones successfully placed into orbit in 1980 and 1983 from the same launching site.

Designed and assembled by Indian and West German scientists, the new satellite was to have used remote sensors to survey forest deterioration, mineral deposits and water reserves. Government officials said that India's \$200 million-a-year space program is strictly for civilian purposes.

Nevertheless, military analysts in India and other countries are expected to regard the rocket failure as significant, inasmuch as India's capacity to launch heavy satellites is widely seen as a sign of its potential capacity to launch bombs, including possibly nuclear weapons.

The largest rocket that India has launched for avowedly military purposes was a surface-to-surface missile tested in February with a range of only 150 miles (about 240 kilometers). Military experts said at the time that it was "essentially a battlefield support weapon."

Western scientists said that even if the launching Wednesday had been successful, the rocket would require extensive additional guidance, tracking and communication systems before it could be used as an intercontinental ballistic missile.

The precise cause of the failure about three minutes after launch was not known, although officials said the 80-foot (about 24-meter) rocket's first stage did not ignite properly. After the failure last year, several modifications were introduced into the rocket, and officials were confident that this time it would succeed.

"One has to suspect everything now, go back and look into everything," said U.R. Rao, director of the government's space program, which the Press Trust of India news agency reported had been plugged into a "pall of gloom" by the failure.

The rocket, known as the Augmented Satellite Launch Vehicle,

weighed 40 tons and featured two 10-ton boosters using solid propellant at its base.

The launcher had been described by the Indian space agency as twice as heavy and complex as the previous generation of Indian rockets, and was to serve as "a workhorse vehicle for all low earth orbit missions." It was also to have been the precursor of another generation of rockets to launch polar satellites in the 1990s, but the failure was seen as throwing these and other objectives into doubt.

The Indian space program was launched in the 1950s by the country's first prime minister, Jawaharlal Nehru. Prime Minister Rajiv Gandhi's grandfather.

He saw it as a way of asserting the new nation's self-reliance and preventing a "brain drain" of scientists out of India.

Romania Project To Shift Villagers Is Under Way

VIENNA — A decision by the Romanian leader, Nicolae Ceausescu, to wipe out all villages of less than 3,000 residents and resettle their residents in towns is already being enforced, Romanian newspapers reaching here Wednesday said.

"The resettlement was easier for young people from the abandoned villages of Buda and Ordoreanu than for the old folks," the party daily *Scinteia* said. It reported on 11 new towns near the capital where 3,400 apartments have been built for former villagers since the second half of 1986.

Scinteia said the elderly "have great difficulties in giving up old habits from their former environment, because the move changed their living conditions, even if their new houses make for a more civilized living."

A total of 12,000 apartments are to be built as part of a pilot project at Ilfov, near the capital, by December in accordance with Mr. Ceausescu's plans to remodel the country's demographic structure by the year 2000.

The highly controversial project calls for 7,000 of the country's 13,000 villages to be leveled and their inhabitants to be relocated in about 600 "agro-industrial centers" by 1995.

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هكذا من الأصيل

هكذا من العجول

SCIENCE

Elbows: A Gauge for Dieting

By William Stockton

NEW YORK — Nearly everyone would like to lose a little weight. Nearly everyone is on a diet, is contemplating beginning a diet or just fell off a diet. That many people are obsessed with weight is to state the obvious.

But perhaps they should be obsessed, at least in the United States where by current estimates of obesity experts, 14 million people are 30 percent overweight.

But how much should someone weigh? It turns out that elbow width is the key. Elbow width determines where you fall in the widely accepted tables of height and weight published by the Metropolitan Life Insurance Co.

If you happen to have big elbows — not fat elbows, but large bony elbows — you can weigh more and feel less guilty about it because you have a large frame and are expected to carry more weight.

If the genetic dice throw gave you slender elbows, then you should weigh less because you have a smaller frame.

But wait. One person's bulk is another's svelte. "We don't even like to use the term 'ideal weight' or 'desirable weight' anymore," said Dr. Charles B. Arnold, a medical director at Metropolitan Life. "There are too many interpretations that might be applied."

So the company merely publishes "Height and Weight Tables."

In 1942 and 1959 when Metropolitan published its tables of ideal height and weight based on analysis of millions of life insurance policyholders, the company saw its chart filling a public health education need.

It was clear to the actuaries that people who weighed more tended to die sooner. The tables became a standard in the medical profession, giving doctors evidence to cite when telling patients that they should drop a few pounds.

Then in 1983, Metropolitan published a new table, again based on statistical analysis of several million policyholders. It listed the weights by age, height and frame size that tended to be associated with living longer. The only problem was that the new weights were higher than those in the older table.

There was an outcry, of course, since Metropolitan seemed to be saying it was suddenly permissible to be a few pounds heavier. "We weren't saying it was alright to be heavier," Dr. Arnold said. "All we were saying was that heavy people seemed to have a lower mortality in 1983 than in 1959 based on study of life insurance policy holders."

Why heavier people might be living longer remains perplexing. Perhaps stopping smoking, controlling diabetes, lowering blood pressure and a gradual shift to less fat in the diet or just better overall medical care are responsible.

But the change in the table highlighted an important truth: There is no definitive way to say exactly what someone should weigh. There are too many variables.

Still, we all need guidelines with which to whip ourselves onward or provide a cushion of smugness. And nutritionists continue to regard the tables as the best data available.

"I would say the consensus among professionals is that the Metropolitan Life figures are probably as good as any," said Brian Morgan, a nutritionist in the Institute of Human Nutrition at Columbia Presbyterian Medical Center in

Metropolitan Height and Weight Tables

All weights are in pounds for adults 25 to 59 years old. Men's weights and heights include clothing weighing 5 pounds and shoes with 1-inch heels. Women's weights and heights include clothing weighing 3 pounds and shoes with 1-inch heels.

Table with columns for Men and Women, categorized by Height and Frame (Small, Medium, Large). It lists weight ranges in pounds for each category.

Source: 1979 Built Study, Society of Actuaries and Association of Life Insurance Medical Directors of America, 1980. ©1983 Metropolitan Life Insurance Company.

Measuring Your Frame Size With Your Elbow

To determine your frame size, bend the forearm upward at a 90-degree angle. Keep the fingers straight and turn the inside of your wrist toward the body. Place the thumb and index finger of your other hand on the two prominent bones on either side of your elbow. Elbow measurements below are for men and women of medium frame. Measurements lower than those listed indicate you have a small frame while higher measurements indicate a large frame.

Table showing Elbow breadth (inches) for Men and Women across different height ranges (e.g., 5'2"-5'3", 5'4"-5'7", etc.).

Source of basic data: National Health and Nutrition Survey, 1971-75. National Center for Health Statistics. ©1983 Metropolitan Life.

The New York Times

Pottery Finds Revise View of Slaves in U.S.

By John Noble Wilford

New York Times Service

NEW YORK — Decorated clay tobacco pipes, excavated in Virginia and Maryland and long thought to be Indian artifacts, have now been identified as the earliest preserved examples of craftsmanship by black people in North America.

The discovery, announced last week by the University of California at Berkeley, is considered a rich addition to black history and important evidence in understanding the close working and living relationship of blacks and whites on the English plantations of 17th-century America before slavery became fully and rigidly established.

In those days, according to historical interpretations emerging from recent archaeological research, the few blacks in the colonies worked as indentured servants — by contract and not necessarily for life — and usually lived in the plantation house with whites.

Not until the last years of the century, with the institutionalization of slavery based on race, did they move to slave quarters and work primarily in the fields.

"The pipes reflect close contact and cooperative craftsmanship between Africans and English on 17th-century plantations," said Dr. Matthew Emerson, a Berkeley anthropologist, who identified the pipe decorations as being European in form "but decorated in a West African art style."

The new finding is thus seen as an illuminating contribution to archaeology of the social and economic history of a period when documents give little or no account of the lives of ordinary people, particularly blacks.

Dr. Emerson identified the decorations by comparing the style and workmanship of hundreds of the pipes with that of contemporary West African pottery. The resemblance was striking, he said, and was not likely to be a coincidence.

One typical example is the "kwardata" motif, a diamond shape on a banded background. Another is a six-pointed star, with three tiny circles around the tip of each point.

Dr. Emerson said he found these to be distinctive images widely used on pottery in Nigeria in the 17th and 18th centuries, but not in European or American Indian work of the time.

The kwardata motif was still being applied to pots made in the early 20th century by the Ga'andaa people of north-central Nigeria. Moreover, Dr. Emerson said in an interview, the pipe makers apparently used the same working techniques as the African potters. In both cases, the designs were inscribed in the clay with toothed instruments that left dotted lines, and they were highlighted with white clay rubbed into the lines.

The only thing European about the clay pipes was their shape. Dr. Emerson said they were presumably made on molds imported from Europe or produced in the colonies from European designs. The stems were usually 6 1/2 inches long and the bowls about 2



Archaeological evidence, based primarily on other materials found with the pipes, indicates that they were made between 1650 and the end of the century.

The pipes reflect cooperation between Africans and English.

inches tall (about 1 1/2 and 5 centimeters).

Archaeological evidence, based primarily on other materials found with the pipes, indicates that they were made between 1650 and the end of the century.

Many of the pipes were discovered over the last 80 years at scattered sites near Chesapeake Bay in Virginia and Maryland, and others were found recently by Dr. Emerson as part of excavations at Flowerdew Hun-

dred, on the south bank of the James River between Richmond and Williamsburg. It is one of the earliest plantation sites in Virginia.

Dr. James Deetz, professor of anthropology at Berkeley and leader of research at the Flowerdew Hundred site, said the pipes were previously misidentified because they were primitive and everything primitive from that period was assumed to be Indian.

Although historical records document the arrival of the first blacks in British North America in 1619 at Jamestown, Dr. Deetz said the pipes were apparently the first material evidence of black life on the continent.

Some blacks were also present with the Spanish in the early years of St. Augustine, founded in Florida in 1565. They are described in documents as carpenters, ironmiths and builders of fortifications.

Recent excavations at St. Augustine, directed by Dr. Kathleen Deagan, an archaeol-



"Kwardata" motif found in 20th century Nigerian pottery (above) and 17th century clay pipes made by blacks (left).

ogist at the Florida State Museum, has uncovered the site of a fort built and occupied by blacks, but have yet to produce any artifacts whose designs are distinctively African.

Dr. Emerson said the pipe findings reinforce other research into the transformation of Virginia plantation life with the introduction of slavery laws in 1665.

Of the first 25 blacks to arrive at Jamestown, brought by a Dutch man-of-war, 15 went to work as indentured servants of Sir George Yardley, Virginia's first governor, who owned the 1,000-acre (400-hectare) Flowerdew Hundred plantation. Records indicate that they lived in the white household and sometimes were able to negotiate their freedom. Some blacks, in time, even had whites as their own indentured servants.

Some scholars argue that for a time white Virginians seemed to be ready to accept blacks as full members or potential members of the community.

Dr. Emerson said the African-style pipes disappeared soon afterward. The blacks, he surmised, no longer had access to the pipe-making molds at the house and were occupied almost full-time in field work. Also, with greater prosperity white planters began importing more goods, including European-made pipes.

In the new social order, the planters became more paternalistic and provided the slaves with many of their needs, also including imported smoking pipes.

Likewise, Dr. Deetz said, the change in plantation life can be seen in the appearance, toward the end of the 1600s, of locally produced, unglazed pottery in a variety of European shapes. Here, too, archaeologists originally assumed that these pottery remains were Indian artifacts.

Writing in the journal Science earlier this year, Dr. Deetz said that most scholars agree that the pottery, which archaeologists called Colono ware, was made and used by black slaves. When they lived in the plantation house, they had no need for their own bowsewares.

Table titled 'NYSE Most Actives' showing stock prices for various companies like IBM, AT&T, and others.

Table titled 'Market Sales' showing volume and value for NYSE, AMEX, and NASDAQ.

Table titled 'NYSE Index' showing index values and changes for various sectors like Composite, Industrials, etc.

Table titled 'AMEX Diary' showing stock prices for companies listed on the American Stock Exchange.

Table titled 'NASDAQ Index' showing index values and changes for the NASDAQ market.

Table titled 'AMEX Most Actives' showing stock prices for the most active stocks on the American Stock Exchange.

Table titled 'Dow Jones Bond Averages' showing bond prices and yields for various categories.

Table titled 'NYSE Diary' showing stock prices for companies listed on the New York Stock Exchange.

Table titled 'Dow Jones Averages' showing index values and changes for the Dow Jones Industrial Average and other sectors.

Table titled 'Standard & Poor's Index' showing index values and changes for the Standard & Poor's 500.

Table titled 'NASDAQ Diary' showing stock prices for companies listed on the NASDAQ market.

Table titled 'AMEX Stock Index' showing index values and changes for the American Stock Exchange.

NYSE Gains; Dow Up 11.73

NEW YORK — A round of buying in the final minutes Wednesday sent stock prices higher in heavy trading on the New York Stock Exchange despite concerns over a weak bond market.

The Dow Jones industrial average, which fell 18.67 points Tuesday, rose 11.73 to close at 2,104.37. The index was almost unchanged entering the final half hour.

Advances led declines by about 7 to 6. Volume totaled 218.93 million shares, compared with 161.65 million traded Tuesday.

The volume included about 68 million shares of two stocks involved in dividend-related strategies — U.S. West and Pacific Enterprises.

"It was a very good showing when you consider the slumping bond market," said Rodd Anderson, vice president in equity trading at Shearson Lehman Hutton Inc.

"Stocks put up a very good fight all session long," Mr. Anderson said, noting that the Dow bounced back from a late-afternoon deficit of about 15 points.

"When we can bounce back like that, it indicates that there are a lot of people on the sidelines willing to buy into dips. That's what we got today."

Broad-market indexes posted modest gains. The New York Stock Exchange index rose 0.65 to 152.27. Standard & Poor's 500-stock index rose 1.47 to 269.32. The price of an average share added 13 cents.

Eugene Peroni Jr., chief technical analyst with Janney Montgomery Scott Inc. in Philadelphia, said the congressional testimony of Feder-

al Reserve Board Chairman Alan Greenspan was "pretty much as expected."

Mr. Greenspan appeared before the Senate Banking Committee and presented his semiannual report on monetary policy.

"Greenspan did express his concern over inflation, but he did not signal any plans for aggressive tightening on the part of the Fed," Mr. Peroni said, adding that election-year pressures should contribute to an accommodative policy.

"Even with some tightening, strong corporate earnings and the dollar should be very supportive for this market," Mr. Peroni said.

"I think the market is satisfied that the Fed is not going to do anything terribly aggressive, or rule with a heavy hand on inflation," he said. "As a result, we could see a digestive process over the next few weeks."

"A lot of buying has already been done with the close of the second quarter. Investors are settling back to await additional indications on the economy before taking new positions. The conviction level is lower than normal."

Overall, however, Mr. Peroni said, the picture looks good on a longer-term basis. While the digestive phase should continue for a while, the earnings momentum looks quite good, he noted.

U.S. West was the most active issue, up 1/4 to 53 1/2. Pacific Enterprises followed, up 1/4 to 47. Baxter Travenol was third, off 1/4 to 19 1/4. AT&T slipped 1/4 to 26 1/4. IBM was unchanged at 125 1/4.

McGraw-Hill rose 1 1/2 to 53 1/4. CBS slipped 1/4 to 157 1/4, despite reporting that second-quarter earnings rose.

Table titled 'Dow Jones Averages' showing index values and changes for various sectors like Industrials, Services, etc.

Table titled 'Standard & Poor's Index' showing index values and changes for various sectors like Industrials, Services, etc.

Advertisement for AMETEK industrial furnaces, featuring a diagram of a furnace and text describing its benefits.

FROM MEDICAL SYSTEMS

THURSDAY, JULY 14, 1988

ECONOMIC SCENE

U.S. Trade Gap: So Far, So Good, But Watch Out

By PETER PASSELL New York Times Service NEW YORK — With the United States trade deficit...

But as every good contrarian knows, the time to start worrying is when everyone else is heading for the beach...

At long last, a visible improvement in U.S. trade figures.

But strong starts do not guarantee strong finishes. And from this point on, the road to international financial balance is bound to get rocky...

IN PURELY economic terms that seems feasible if the United States stays out of recession. Devoting about half of a plausible 2.5 percent annual growth in GNP to trade would close a \$250 billion gap in five years...

Coke Says Pernod Overruled

U.S. Firm Regains Control in France

PARIS — A Paris appeals court has ruled that Coca-Cola Co. was not obliged to renew its contract with Pernod-Ricard SA on production and distribution in France...

The decision reversed a ruling by a commercial court in June that Atlanta-based Coca-Cola must renew expiring contracts for the Marseille and Orleans areas, it said.

Coca-Cola had said it would not renew these contracts but had offered to buy back the bottling and distribution rights after disagreeing with Pernod over marketing strategy.

Pernod has several distribution contracts with Coca-Cola in various areas and covering all of France. Coca-Cola-related earnings last year brought almost 100 million francs (\$18 million) to Pernod out of total group profit of 1.4 billion francs.

As a result of Wednesday's decision, distribution rights for Coke's bottled and canned products in Orleans will be returned to Coca-Cola on Aug. 15, 1988, and bottling rights in Marseille on Jan. 1, 1990.

Coca-Cola said in the statement the company would terminate all its distribution contracts for canned products no later than Jan. 1, 1990.

It said that with regard to other concessions, the bottling contracts held by Pernod and other groups would continue until their expirations.

Pernod-Ricard was not immediately available for comment.

Pernod, which has been Coca-Cola's main bottler in France since 1949, has contended in the past that Coca-Cola was seeking to take over the business in France for itself, now that it is profitable.

For its part, Coca-Cola, according to a company source familiar with the dispute, felt that Pernod was not pushing hard enough to advance Coke consumption.

He also said that Pernod had more interest in directing its marketing resources to Orangina, a brand that Pernod owns.

VW: First In, Now First Out of U.S.

International Herald Tribune

Ten years after it became the first foreign producer to open an auto assembly plant in the United States, Volkswagen AG of West Germany will send its last American-made car off its assembly line in New Stanton, Pennsylvania, Thursday.

The shutdown is a result, industry analysts and executives said, of the glut in the U.S. market for small, economical cars.

VW, citing the plant's under-used capacity and the expected low demand for the Golf and Jetta cars it produces, said the plant had little prospect of becoming profitable because of the intense competition in the market for small cars.

Peter Schlein, a VW spokesman, said last fall that the Pennsylvania plant was operating at about 40 percent of capacity and that 2,500 workers would be affected by the closure.

About 35 brands of small cars are sold in the United States. Some are made in countries with very low wage rates, including South Korea and Yugoslavia. As a result, VW models are often priced considerably higher than competing makes.

The cheapest VW Golf lists at \$7,990, compared with less than \$6,000 for the Korean-made Hyundai Excel.

For 1987, Volkswagen of America posted a loss of \$72 million. Deutsche marks (\$311 million at the current exchange rate). U.S. sales totaled about 200,000 vehicles, 50,000 short of Volkswagen's initial projections for 1987 and far below the 277,000 vehicles sold in 1986.

By contrast, VW sales have flourished in Europe.



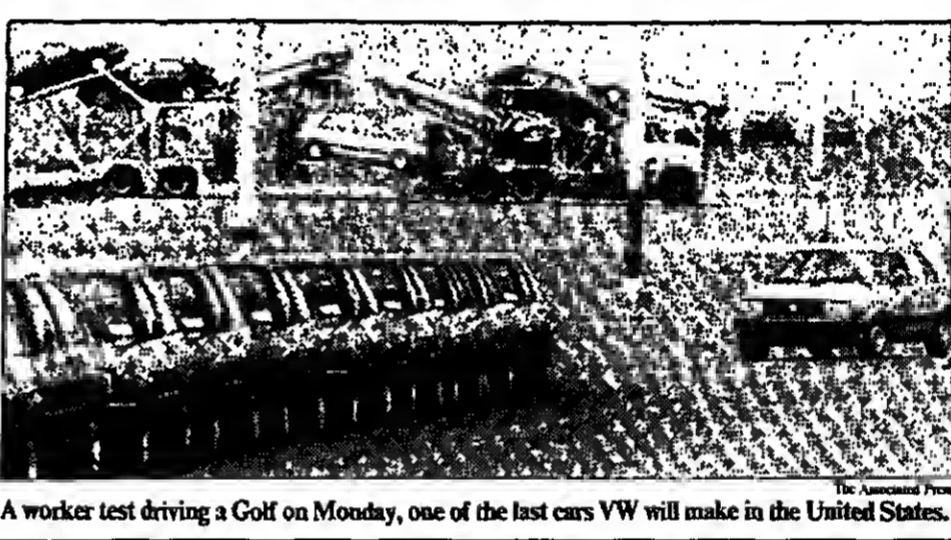
The first U.S.-built VW Jetta rolling off assembly line in 1986.

VW opened the Pennsylvania plant to reclaim some of the dominant market share that its popular Beetle model enjoyed in the 1950s and 1960s. The first Golf, which was then called the Rabbit, rolled off the assembly line in April 1978.

But the plant was plagued by stiff competition from Japanese and domestic manufacturers as well as unexpectedly high production costs.

With more Japanese-owned plants scheduled to open in the United States in coming years, VW's sales outlook was bleak.

Volkswagen's U.S. dealerships will now be supplied mainly from the company's West German assembly plants and also from a plant in Brazil.



A worker test driving a Golf on Monday, one of the last cars VW will make in the United States.

EC Wants Cut In Rover Aid Of £331 Million

BRUSSELS — The European Commission, the executive body of the European Community, said Wednesday that the British government could sell Rover Group PLC, the state-controlled car maker, to British Aerospace PLC if it cut the amount of financial help it was offering.

Prime Minister Margaret Thatcher's Conservative government is selling its 99.8 percent stake in Rover for £150 million (\$254 million) as part of its long-standing campaign to privatize government-owned companies.

But the European Commission said the government's proposed £800 million write-off of Rover's debt must be cut by £331 million. The commission said it was concerned that the debt write-off would be, in effect, a subsidy giving Rover an unfair competitive advantage.

Industry analysts had said they thought the EC would demand a cut of up to £250 million in the debt write-off. Dealers on the London Stock Exchange said they were surprised by the size of the cut the EC wanted.

After the EC announcement, British Aerospace said it was reconsidering its takeover bid for Rover, the Associated Press reported from London. Negotiations between the government and BAe were continuing.

Trading in the small number of Rover shares held by the public was suspended by the London Stock Exchange a week ago when their price climbed 13 pence (22 cents) to 74 pence on stepped-up speculation about the deal.

Some traders had speculated that if the EC insisted on a sharp cut in the debt write-off, BAe would decide against proceeding with the takeover.

They thought other bidders might step in and that a takeover battle could develop, pushing Rover shares even higher.

BAe stock rose 5 pence to 471 pence a share on the London Stock Exchange on Wednesday.

The EC commissioner, Peter Sutherland, said the community would limit any tax breaks for Rover to £500 million.

The European Commission decided British Aerospace could apply tax concessions only against Rover's profits and not use them to reduce the aerospace giant's total tax bill.

Mr. Sutherland said he did not know whether the new terms would be acceptable to BAe since the company had not been involved in the negotiations.

Rover earlier in the day reported a pretax profit of £28.8 million for the half-year ended July 2, compared with a loss of £10 million in the first half of 1987.

Last week, BAe said it might make some concessions on its earlier stance that it would pull out of the Rover deal if the full debt write-off were not allowed.

Rover's improved financial performance has given it more scope, a spokesman said.

But the BAe spokesman said forecasts that the community would demand a cut of £250 million in the debt write-off would be "still a little bit too steep for us."

Rover Reports £28.8 Million Profit for Half

LONDON — Rover Group PLC, the major British auto-maker, Wednesday reported a pretax profit of £28.8 million (\$48.9 million) for the half-year ended July 2. This is its best interim report since 1979 and compares with a £10 million loss in the first half of 1987.

The company said a turnaround by Austin Rover and recovery by Land Rover, following its pay dispute this year, helped the company return to profitability.

Group turnover was £1.55 billion, against £1.53 billion a year earlier.

Rover Group said European market conditions remained buoyant and British sales were a record, but the strong pound and a downturn in the U.S. imported car sector dented export revenue.

Mr. Sutherland said he did not know whether the new terms would be acceptable to BAe since the company had not been involved in the negotiations.

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New Bank Capital Guidelines Are Likely to Have Far-Reaching Impact

By Sarah Bartlett New York Times Service

NEW YORK — The capital guidelines approved Monday by the world's leading central bankers will surely have a far-reaching impact on banks, their borrowers and the economy at large.

Many large U.S. and Japanese banks are expected to slow their lending in order to bolster their capital-to-assets ratio.

Under the guidelines, capital must equal 8 percent of risk-adjusted assets by 1992.

Japanese officials are putting pressure on banks to cut back on loan growth and to increase profitability.

That will make it difficult for Japanese banks to continue cutting prices on their financial products in a bid to buy market share, as they have done in the United States and European markets.

The new requirements will also have a major impact on U.S. banks, reinforcing the restructuring trend already under way.

Federal Reserve Board officials indicated Monday that five of the largest U.S. banks, which they did not identify, might need as much as \$12 billion to \$15 billion in additional capital by 1992. The stocks of many large banks tumbled Tuesday in response to those estimates.

With investors dubious about bank stocks, raising those amounts in the capital markets is considered highly unlikely. Instead, the banks will have to build equity by controlling costs more aggressively, getting out of less-profitable businesses and selling assets.

In the last few weeks alone, Chemical Bank has announced that it is selling a credit-card-slip processing division and

Manufacturers Hanover that it is selling its Luxembourg subsidiary.

Thomas H. Hanley, a Salomon Brothers analyst, estimated that by slowing growth in assets to 3 percent a year, from 5 percent now, and completing their announced restructuring programs, large U.S. banks could narrow their combined capital shortfall to about \$400 billion by 1992.

However, three banks could still come up short in the most important category of capital, which the guidelines call Tier One. It includes stockholders' equity, retained earnings and noncumulative perpetual preferred stock.

Mr. Hanley's analysis showed that Mellon Bank could face a \$263 million shortfall, Chemical Bank \$143 million and Manufacturers Hanover \$21 million. "These are relatively small amounts," he said.

By putting the largest U.S. banks under the gun, the requirements will do much to aggravate tensions between the so-called money-center banks and the banks of their existence, the large regional banks, most of which already meet or surpass the 8 percent capital level.

The regional banks are not likely to be distracted by the need to shrink or rede-

play assets and are not encumbered by large amounts of loans to the developing world. With those advantages and their much healthier stock-market multiples, they are free to expand and to make acquisitions. The new risk guidelines could make it difficult for any of the largest U.S. banks to make any substantial acquisitions.

For example, in order to complete its proposed acquisition of Horizon Bank, New Jersey's fifth-largest bank, Chemical Bank is likely to have to issue a substantial amount of new stock, analysts have said.

With Chemical stock now selling at 70 percent of book value, the acquisition would be painfully expensive.

The guidelines, which took more than two years to negotiate, were completed at a meeting in Basel, Switzerland, of central bankers from Belgium, Britain, Canada, France, Italy, Japan, Luxembourg, the Netherlands, Sweden, Switzerland, the United States and West Germany. Each central bank must work out how the requirements will apply to its national banks.

Although the guidelines were intended to strengthen the global banking system,

some analysts think the agreement may have unintended and potentially disastrous consequences.

They are concerned that the banks, trying to earn a decent return on capital, will be tempted to make lower-quality loans, on which they can charge more interest.

"Banks simply cannot earn a sufficient spread on low-risk assets to cover their capital costs," said Lowell Bryan, a senior partner at McKinsey & Co.

Based on his consulting experience, Mr. Bryan said, banks that are under pressure on profitability will take more risks rather than cut costs. The guidelines might compel banks to increase their lending in such areas as leveraged buy-outs, he said.

With some U.S. banks in a weakened financial condition because of large losses on Third World loans or loans in energy, agriculture and real estate, there have been complaints that it would be unfair to force them to raise large amounts of new capital so quickly. Nevertheless, the Federal Reserve Board, which has to approve final guidelines for American banks, is expected to do so within the next month or two.

Currency Rates

Table with columns for Currency, Par 5, and July 13. Includes entries for Australian dollar, British pound, Canadian dollar, etc.

Closing in London, Tokyo and Zurich, 11:00 a.m. in other centers. New York closing rates. or Commercial rates; * To buy one pound; ** To buy one dollar; *** Units of 100; N.D.: not available; N.A.: not available.

Other Dollar Values

Table with columns for Currency, Par 5, and July 13. Includes entries for Australian dollar, British pound, Canadian dollar, etc.

Source: Reuters Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Paribas (Paris); Bank of Tokyo (Tokyo); IAF (SDR); BAH (Basle); Reuters (Brussels); Reuters (Tokyo). Other data from Reuters and AP.

Interest Rates

Table with columns for Eurocurrency Deposits, Key Money Rates, and Asian Dollar Deposits. Includes entries for 1 month, 3 months, 6 months, 1 year, etc.

Source: Morgan Guaranty (Dollar, DM, SF, Pound, FF, yen); Lloyds Bank (ECU); Reuters (SDR). Rates applicable to interbank deposits of \$1 million minimum for eurodollars.

U.S. Money Market Funds

Table with columns for Fund Name, Class, Prev., and July 13. Includes entries for Merrill Lynch Ready Assets, etc.

Source: Reuters Bank of Tokyo, Commercial, Credit Lyonnais.

Alleged Insider Tried to Shift Frozen Cash

By Kurt Eichenwald New York Times Service

NEW YORK — An investor from Taiwan whose assets were frozen after he was accused of insider-trading activities tried to transfer several million dollars out of the United States illegally last week, the Securities and Exchange Commission has asserted.

The assets of the investor, Fred C. Lee, were frozen in June after the SEC said he had tried to move \$5 million out of the country.

In documents filed on Tuesday, the SEC said Mr. Lee had a letter delivered to the Hong Kong branch of the Standard Chartered Bank on Thursday, asking that money in a New York account be transferred. Officials at the bank alerted the SEC to the request.

In its original complaint, the SEC said Mr. Lee, 38, a businessman who lives in Hong Kong, had paid Stephen Sui-Kuan Wang Jr.,

a junior financial analyst at Morgan Stanley & Co., at least \$200,000 for inside information on the confidential planning for 25 proposed takeovers in which Morgan Stanley was an adviser. Mr. Lee earned at least \$19 million trading on this information, the SEC said.

Late Tuesday, the SEC asked Judge Richard Owen in Federal District Court in Manhattan to hold Mr. Lee in civil contempt for violating the temporary restraining order freezing his assets. Judge Owen ordered Mr. Lee to rescind his instructions to the bank and issued a preliminary injunction barring him from transferring assets.

Mr. Lee and his lawyer did not appear at the hearing on Tuesday and did not return phone calls seeking comment.

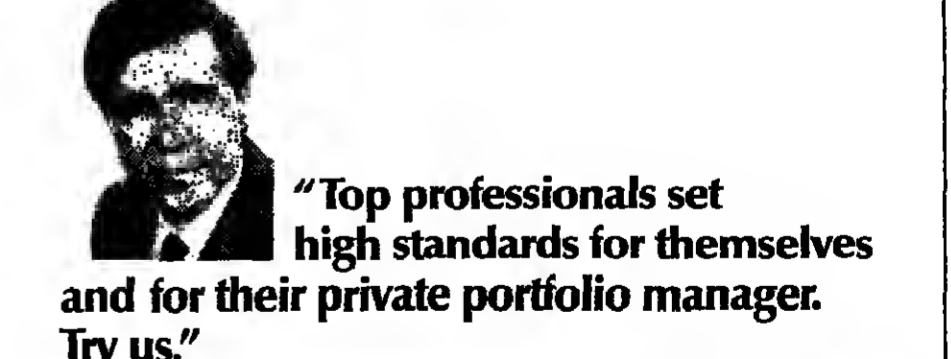
This week, the SEC filed new

papers that provided more details of his case against Mr. Lee and Mr. Wang. According to these documents, Mr. Lee maintained close contacts with several young analysts and tried to persuade one of them to engage in a similar scheme.

The new SEC documents said Mr. Lee frequently kept in contact with financial analysts in the leveraged buyout fund managed by Morgan Stanley. According to a deposition by V. Frank Pottow, a former analyst with Morgan Stanley, Mr. Lee telephoned often and was considered a nuisance.

In early 1987, Mr. Pottow said, he invited Mr. Wang to join him at a lunch with Mr. Lee. According to Mr. Pottow's deposition, Mr. Wang later said that he was interested in getting to know Mr. Lee.

According to telephone records and affidavits filed with the court, Mr. Wang and Mr. Lee later were in frequent contact.



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Wednesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table of stock market data including NYSE, NASDAQ, and various international indices.

Large table of stock market data, including various international and domestic securities.

U.S. Futures

July 13

Grains

Table of grain futures prices including wheat, corn, and soybeans.

Food

Table of food futures prices including coffee, sugar, and cocoa.

Livestock

Table of livestock futures prices including cattle and hogs.

Currency Options

Table of currency option prices for various international currencies.

Philadelphia Exchange

Table of Philadelphia Exchange market data.

Financial

Table of financial market data including interest rates and bond yields.

Stock Indexes

Table of major stock index performance.

Commodity Indexes

Table of commodity index performance.

Market Guide

Table providing a guide to various market sectors.

U.S. Treasury Bonds

Table of U.S. Treasury bond prices.

Foreign Exchange

Table of foreign exchange rates.

Metals

Table of metal prices including gold and silver.

Stock Indexes

Table of stock index performance.

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Market Guide

Table providing a guide to various market sectors.

Roche Has Soviet...

CBS Earnings Increase...

U.S. Oil Industry's...

150 Million Rained by...

Escorts & Galt...

Light-Truck Sales Climb in the U.S.

U.S. Treasuries...

DM Futures Options...

Paris Commodities...

London Metals...

Dividends...

Spot Commodities...

U.S. Treasury Bonds...

Foreign Exchange...

Metals...

Stock Indexes...

Commodity Indexes...

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Paris Commodities July 11

London Metals July 13

Dividends July 13

Spot Commodities July 13

U.S. Treasury Bonds July 13

Foreign Exchange July 13

Metals July 13

Stock Indexes July 13

Commodity Indexes July 13

Market Guide July 13

DM Futures Options July 13

Paris Commodities July 11

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U.S. Treasury Bonds July 13

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Light-Truck Sales Climb in the U.S.

U.S. Treasuries...

DM Futures Options...

Paris Commodities...

London Metals...

Dividends...

Spot Commodities...

U.S. Treasuries July 11

BUSINESS ROUNDUP

Roche Has Soviet Test Kit Venture

AGENCE FRANCE PRESSE — The Soviet Union and the Swiss pharmaceutical group F. Hoffmann-La Roche & Co. agreed Wednesday to set up a joint venture for production of laboratory test kits to detect cancer and infectious diseases, including acquired immune deficiency syndrome.

The agreement is the first in the health field between the Soviet Union and a West European country. Swiss and Soviet officials stressed during a signing ceremony in Moscow.

The accord followed eight years of negotiations between Soviet authorities and the Basel-based business, a Hoffmann-La Roche executive, Guido Zanetti, said.

Harvard Makes Ethics a Must For the MBA

NEW YORK — The Harvard Business School is expected to announce shortly that it will require entering students seeking master's degrees to take a three-week course on business ethics.

Polaroid, in Restructuring, Will Sell Conventional Film

NEW YORK — In an acknowledgment of the declining popularity of the instant photography market it pioneered, Polaroid Corp. has announced that it will take on Eastman Kodak Co. and Fuji Photo Film Co. in the market for conventional color film.

Analysts predicted that Polaroid would capture at least 10 percent of the U.S. market for conventional film within two years of the product's introduction because of its established name and extensive distribution network.

Instant photography provided about 90 percent of Polaroid's \$1.76 billion in sales last year. Consumers accounted for about 60 percent of those sales, while 40 percent came from commercial areas such as research.

CBS Earnings Increase 40%

NEW YORK — CBS Inc. reported a 40 percent increase in second-quarter earnings Wednesday, up 128.7 million, or \$5.01 a share, compared with \$92.1 million, or \$2.95 a share, for the year-earlier quarter.

Lawrence Tisch, CBS president and chief executive officer, said the quarterly earnings were the highest in the company's history.

Mr. Tisch said the company's earnings were boosted by a 40 percent increase in advertising revenue, which was up 128.7 million, or \$5.01 a share, from \$92.1 million, or \$2.95 a share, a year earlier.

U.S. Oil Industry's Profits Seen Rising Sharply in Quarter

NEW YORK — Booming gasoline and petrochemical profits likely pushed the U.S. oil industry's earnings up 30 to 40 percent in the second quarter of 1988 from their levels a year earlier, industry analysts said.

George Gaspar, an oil industry analyst for Robert W. Baird & Co. in Milwaukee, said, "The bottom line is that the industry will have enormous results for the six months."

The downstream gains will be offset somewhat by weaker profits in the oil exploration and production, or upstream, side of the business. Results were constrained by lower oil prices.

Amoco, \$1.62 (51.22); Atlantic Richfield, \$1.99 (51.80); Chevron, \$1.56 (51.56); Exxon, 93 cents (81 cents); Mobil, \$1.04 (74 cents); Occidental Petroleum, 37 cents (23 cents); Phillips Petroleum, 41 cents (33 cents); Unocal, 45 cents (33 cents).

Matsushita Sets German CDs

TOKYO — Matsushita Electric Co. said Wednesday that it would start production of compact disk players at an affiliate, MB Video GmbH of West Germany.

LVMH MOÛT HENNESSY. LOUIS VUITTON. LVMH, which is linked through distribution agreements in the wines and spirits sector with the British group Guinness since June 1987, will soon take an interest of approximately 10% in the share capital of this group.

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£150 Million Raised by Bank in Hong Kong

HONG KONG — Hongkong & Shanghai Banking Corp. announced Wednesday that it is raising £150 million (\$256 million) of subordinated loan capital, its first major fund raising since the October stock market collapse.

In Hong Kong, Deadline on Index Futures

HONG KONG — The Hong Kong Futures Exchange may stop trading in Hang Seng index futures in mid-1989 if it fails to solve the problem of risk coverage for the contracts. David Nendick, the exchange's secretary for monetary affairs, said Wednesday.

Chemical Bank to Sell Operations in Milan

NEW YORK — Chemical Bank said Wednesday it has begun negotiations to sell its branch operations in Milan to Banca Popolare di Verona, a commercial bank with 88 branches and assets of about \$4.8 billion.

The review committee, headed by the former Lloyd's of London deputy chairman Ian Hay Davison, last month recommended that both the futures exchange and the index futures market should be reformed to give better protection to investors.

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CURRENCY MARKETS

Dollar Firm on Greenspan Remarks

NEW YORK — The dollar closed higher against major currencies Wednesday, in part because of comments by Alan Greenspan, the Federal Reserve chairman, that interest rates might rise.

The dollar closed in New York at 1.8423 Deutsche marks, up from 1.8358 Tuesday, and 132,700 yen, up from 132,375 Tuesday.

The pound closed in New York at \$1.6950 Wednesday, down from \$1.6985 Tuesday.

The dollar closed at 6.2155 French francs in New York, up from 6.1895 Tuesday, and at 1.529 Swiss francs, up from 1.520 Tuesday.

Mr. Greenspan, in his midyear economic report to the U.S. Senate, said the Fed was ready to renew an offensive against inflation, with tighter credit if prices rose.

Tighter credit, and thus higher interest, would be preferable to inflation, he said, adding that the Fed had already restricted the money supply four times since late March.

Although his remarks came as little surprise to traders, several said the comments were positive enough to boost the dollar.

"The market has a bullish psychology and seems to be looking for positive news to push the dollar up," said Thomas Benfer of the Bank of Montreal.

"I think the sentiment is still bullish but with the trade figures Friday, I doubt we'll make another run at 1.85," Earl Johnson, vice president of foreign exchange at Harris Bank in Chicago, said of the dollar's rise against the mark.

U.S. trade figures for May are to be released Friday, and dealers said to take a late position before then. Trading remained in a narrow and cautious range this week.

Dealers in New York and London said the Fed intervened in the market three times Wednesday, selling dollars for Deutsche marks to stem the U.S. currency's rise. This pulled the dollar down from its highs but did not dampen the

London Dollar Rates

Table with columns: Currency, Bid, Ask, Change. Includes entries for Deutsche mark, Swiss franc, French franc, and Japanese yen.

U.S. economic growth, estimating expansion in the inflation-adjusted gross national product of between 2.75 percent and 3 percent from the fourth quarter of 1987 to this year's fourth quarter.

And it set money supply target ranges, with the range declining in 1989 from 1988, "consistent with a monetary policy that would curb any tendency for inflation to worsen," Mr. Greenspan told the Senate.

In addition to his comments, separate statements by a Fed governor, Wayne D. Angell, bolstered the dollar.

Mr. Angell, addressing a convention before Mr. Greenspan spoke to the Senate, said that the dollar has shown stability over the last year and that it was natural for the currency's value to rebound somewhat after its decline.

"The impact of both Angell's and Greenspan's testimony has been positive for the dollar," said Chris Bourdain, foreign exchange adviser at BankAmerica Corp. in New York.

Dollar 'Rebound' Natural, Fed Governor Angell Says

WASHINGTON — The dollar has shown stability over the last year, and it is natural for the currency's value to rebound somewhat after its previous decline, Wayne D. Angell, a Federal Reserve Board governor, said Wednesday.

Mr. Angell said the dollar's exchange value should not be set by the Fed or any other domestic or international agency. He also said U.S. monetary policy should not respond directly to commodity price increases stemming from the American drought.

In remarks to a U.S. Agricultural Communicators' convention, Mr. Angell said the interest-rate differential in favor of the dollar would cause market participants, expecting stable exchange rates, to prefer to hold money in the U.S. currency.

"And so, we would naturally get some rebound effects," he said. He also said that "monetary policy needs to remain stably attached to our goals of reducing the rate of inflation, but not responding in any direct way to the events of commodity prices that are associated with the drought."

Mr. Angell said he opposed any move to restrict exchange rate movements. "I do not believe that we ought to make a transition to a circumstance in which the Federal Reserve or any other agency of the U.S. government or any other international agency tries to say, 'We are going to fix these exchange rates in this way,'" he said.

Why a Firm Dollar May Help Japan Speculation Mounts on Tokyo's Hands-Off Market Stance

TOKYO — Japanese monetary authorities stand to gain politically, both at home and abroad, by tolerating a stronger dollar, economists said.

The Bank of Japan has stood idle in recent weeks while most other central banks, including the U.S. Federal Reserve System, repeatedly intervened to stem the dollar's rise against the Deutsche mark.

The absence of dollar sales for yen, and Japan's hands-off stance, have prompted speculation in financial markets of a secret pact between the United States and Japan to let the dollar appreciate against the yen. But many analysts have dismissed the notion.

Some analysts said the dollar's strength is being viewed as a speculative bubble, triggered by a smaller April U.S. trade deficit.

Meanwhile, there have been suggestions from some economists that Japan's position on the dollar is looking increasingly like an attempt to help President Ronald Reagan's Republican heir, Vice President George Bush, win the U.S. presidential election in November.

"Many Japanese feel the Democrats are more threatening as far as protectionism is concerned," said Bill Sterling, senior economist at Merrill Lynch Japan Inc.

"Japanese don't know what to expect from a Democratic U.S. president. They fear a Democrat spells protectionist trade policies which would be aimed at Japan," said Keiichi Honda, chief economist at the Bank of Tokyo.

A higher dollar at this time helps head off inflationary pressures within the U.S. economy and thereby allows the Fed to keep interest rates low. Both factors are popular with the U.S. electorate and business.

Analysts said the dollar's strength was reinforced by U.S. and Japanese statements at a politically advantageous time for both governments.

"It's not clear the United States engineered this rebound in the dollar, but it does appear to be pretty convenient both to Japanese and U.S. officials," said Mr. Sterling.

The dollar hit a high for the year of 135.43 yen on July 4, compared with 125 yen in mid-June. In London on Wednesday, it closed at 132.95 yen.

It is the Ministry of Finance — which has as a priority the avoidance of protectionist pressures — and not the Bank of Japan, that can authorize intervention in the currency markets.

The United States is currently feeling inflationary pressures due

Sumita Decries Currency Moves

TOKYO — The governor of the Bank of Japan, Satoshi Sumita, said Wednesday that foreign exchange rate moves had become a bit excessive and that the markets were being moved by speculation.

The major industrialized nations remain committed to stable currencies and prices, Mr. Sumita said after meeting with other central bank officials in Basel, Switzerland.

Though inflationary pressures in the United States are rising, he said, prices there remain stable. Japan's monetary policy is unchanged, he said, but the Bank of Japan will continue to monitor price and currency movements closely.

to stronger than expected growth, tight labor markets and rising commodity prices. Mr. Sterling pointed out. A stronger dollar helps offset these pressures by reducing U.S. import prices.

Japan, meanwhile, has encountered stiff competition in exports due to the stronger yen, and is facing the worrisome prospect of reduced economic growth during the April-June quarter, economists said.

Japanese imports grew by 34.3 percent, more than twice the rate of exports, over the first six months of 1988, compared with a year earlier, Ministry of Finance figures show.

Government forecasts are for reduced growth, after an 11.3 percent annual expansion in the January-March period, due to an anticipated drop-off in housing starts and public works spending.

Intervening against the dollar could prove politically unpopular with many Japanese exporters and could hurt the Ministry of Finance's chances of passing a tax reform package, said Nobuyuki Ueda, senior economist with the Long-Term Credit Bank of Japan.

The latest tax package, following two unsuccessful attempts to pass such reforms in the last 10 years, includes an indirect tax that the ministry deems vital in reforming the government's debt-plagued finances.

Since long-term dollar sentiment in Tokyo remains bearish, some currency dealers speculate that the ministry is worried that it could trigger a bear market if it intervenes.

It could push the dollar below the 125 yen level set as a break-even point by many Japanese exporters earlier this year.

Commenting on the dollar's rise, the Bank of Tokyo's Mr. Honda added: "This is a political market. The dollar should look strong to ordinary American voters."

GREENSPAN: Fed Chairman Signals Tighter Policy to Curb Inflation

(Continued from page 1)

the third quarter of 1987 and the first quarter of this year. The Commerce Department is to report preliminary figures later this month for the quarter just ended, which many private forecasters expect to be around 3 percent.

The Fed's emphasis on slowing the economy puts it at odds with the Reagan administration, whose latest forecast calls for faster growth in 1989 than this year, with virtually no increase in inflation.

Mr. Greenspan confirmed that the Fed acted in late June to increase a key short-term interest rate, the federal funds rate, for the fourth time in three months. This and other short-term rates have now risen by a full point.

Given the rapid economic growth and dwindling unused productive capacity, he said, "the Fed-

eral Reserve was well aware that it should not fall behind in establishing enough monetary restraint to effectively resist these inflationary tendencies."

With the slower growth, if it materializes, the Fed expects inflation to run at between 3 percent and 3.75 percent this year, as measured by the GNP deflator. That is in line with the Reagan administration's prediction of 3.5 percent.

For 1989, inflation forecasts range between 3 percent and 4.5 percent, again similar to the administration's 3.7 percent figure. However, the administration expects real GNP to expand even faster in 1989 than this year, which leaves it sharply at odds with what the Fed believes must happen if inflation is to be kept under control.

The dollar rose modestly following Mr. Greenspan's comments, though trading was subdued ahead

of the Friday release of U.S. trade figures for May, dealers said. The dollar rose to 1.8423 Deutsche marks at the close in New York, from 1.8358 Tuesday, and gained to 132,700 yen from 132,375.

U.S. Treasury bonds remained firm in New York following Mr. Greenspan's speech, but closed slightly easier on fears of new market legislation. The 30-year bond yield rose to 9.18 percent from Tuesday's 9.13 percent.

Mr. Greenspan said that short-term interest rates are now close to the highs reached before the stock market plunge last October.

However, the Fed chairman, noting that long-term bond and mortgage rates remain well below last fall's peaks, said "the timing of monetary policy this spring, along with perceptions of better prospects for the dollar in

foreign exchange markets in light of the narrowing of our trade deficit, seemed to improve market confidence that inflationary excesses would be avoided."

He added: "The long-run costs of a return to higher inflation and the risks of this occurring under current circumstances are sufficiently great, that Federal Reserve policy at this juncture might be well advised to err more on the side of restrictiveness rather than of stimulus."

Senator James Sasser, Democrat of Tennessee, took issue with Mr. Greenspan's emphasis on the need to fight inflation.

Because of what it would do to employment, the federal budget, the threatened savings and loan industry and other parts of the economy, he urged the Fed not to pursue an overly restrictive policy.

Wednesday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume. It is updated twice a year. Via The Associated Press.

Table with columns: 12 Month High, Low, Stock, Div. Yld., Sales in '87, High, Low, 4 P.M. Close, Net.

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SPORTS

Unlikely Hero Steinbach Helps AL Win, 2-1, in All-Star Game

By Malcolm Moran

CINCINNATI — A year ago, a sunset provided the American League hitters with a convenient excuse: They couldn't see the ball in the Oakland twilight.

Tuesday night, held to six hits in major league baseball's 59th All-Star Game, they were saved from another embarrassment by Terry Steinbach, the player with the most humbling statistics of them all.

The Oakland Athletics' catcher, who was batting .217, hit a home run and a sacrifice fly to drive in both runs in the American League's 2-1 victory.

Steinbach's surprising offense, and the five-hit pitching of eight American League teammates, combined to give Dwight Gooden of the New York Mets his second all-star loss, while Whites Herzog became the first National League manager to lose three times in a midsummer exhibition that his league leads, 37-21, with one tie.

The NL had won 3 of the last 4, 14 of 16, and 22 of the last 25. "I've managed three All-Star Games and my teams have scored six runs," said Herzog, manager of the struggling St. Louis Cardinals. "That reminds me of my present team."

He lost because of Steinbach, who was voted the most valuable player and became a sudden hero in a game played before a sellout crowd of 55,837, which included Vice President George Bush.

"The guys were teasing me," Steinbach said. "I hit a home run in my first major-league at bat, in Cleveland, and my first at bat as an all-star. They're already saying I'm an answer to a trivia question."

No one else has hit a homer in both his first time at bat in the majors and in the All-Star Game. But of all the players voted into the American League's starting lineup, Steinbach had seemed to present the least of Gooden's problems. The four preceding batters — Jose Canseco of Oakland, Dave Winfield

of the New York Yankees, Cal Ripken of the Baltimore Orioles and Mark McGwire of Oakland — had produced 69 home runs this season while Steinbach, whose presence here was attributed to a ballot-stuffing campaign in Oakland, had hit five homers in a season interrupted by an eye injury in early May. He had batted .287 last year, his first major-league season, but his 2.17 average this year was 12 points lower than any other all-star and 20 points lower than any other starter.

In one moment, however, during Steinbach's first time at bat as an

Fleeting Fame

CINCINNATI — The bat with which Terry Steinbach hit his home run, the bat with his name engraved on it, the bat sent to the hall of fame after the game, had his name misspelled: "Steinbach."

As the Cincinnati Reds' owner, Marge Schott, was riding up to her office, she saw a notice that the elevator would be closed a half-hour to accommodate the arrival of Vice President George Bush.

Schott ordered the elevator operator to inform the Secret Service that that was unacceptable. Schottzie, her St. Bernard, had to be transported from the Reds office to the field.

"I don't care about the vice president or anyone," she said. "I just got to get to the dog."

all-star, all those embarrassing numbers became meaningless. Gooden had held the first seven hitters to a single by Wade Boggs. But on a one-strike fastball, Steinbach lifted a fly to the opposite field, where Darryl Strawberry, Gooden's teammate on the Mets, waited at the right-field wall.

"I was ahead of him on the count and tried to get the ball away, but it wasn't away enough," Gooden said. "I thought it was a good pitch, a pop-up when he hit it, but it just carried."

Strawberry reached over the eight-foot 3-4-meter wall at the top of his leap, but the ball came off his glove for a home run. It gave the American League its first run after 17 scoreless innings.

And Steinbach wasn't finished. In the fourth inning, hitting against Bob Knepper of the Houston Astros, he came within a few feet of a grand slam. That flyball was caught by Vince Coleman of the Cardinals on the warning track, but Winfield, who had led off the inning with a record seventh All-Star Game double and moved to third on a single by McGwire, scored for a 2-0 lead.

The National League was held harmless until the fourth. Frank Viola of the Minnesota Twins, in his first all-star appearance, retired the six batters he faced with help from the Baltimore shortstop, Ripken.

With two out in the second, Will Clark of the San Francisco Giants hit a hard ground ball toward the left side of the infield. Ripken reached to his right, fielded the ball and threw out Clark. And as Viola left the mound at the end of his brief evening of work, he joined the crowd in the applause.

In the fourth, Coleman got the National League its run, in typical fashion. Leading off the inning against Mark Gutierrez of the Kansas City Royals, Coleman singled to left, then stole second base and went to third as Steinbach's throw eluded Ripken. From there he scored on Cubizca's wild pitch.

Correction Because of an editing error, a quote from Darryl Strawberry of the New York Mets and his All-Star Game statistics were misattributed to teammate Dwight Gooden in a column in Wednesday's International Herald Tribune.



Terry Steinbach of Oakland, who has a .217 batting average, hit this pitch from Dwight Gooden of New York for a home run in the second inning. In the fourth, Steinbach drove in the American League's second run with a sacrifice fly that fell just short of being a grand slam, then later got the most valuable player award.

3 Yank Stars Give Ringing Rebuts to Steinbrenner

By Bill Plaschke

CINCINNATI — George Steinbrenner's charges against his three players on the American League all-star team were charges that questioned pride and effort.

More than anything, they were charges that called for a response. Tuesday night, in front of a nation, the New York Yankees' principal owner Steinbrenner got one.

In helping the American League gain a 2-1 victory over the National League in the 59th All-Star Game, Yankee outfielder Dave Winfield hit his seventh double in all-star competition, extending his record by one, and ran his hitting streak to seven games, a feat matched only by Mickey Mantle and Joe Morgan.

Yankee first baseman Don Mattingly, made the game-saving defensive play. And Yankee outfielder Rickey Henderson went one for two, then walked away with a smile.

In all, a nice evening for three players of whom Steinbrenner had said, "I'm not sure if they have what it takes to win."

Whatever that is, Tuesday night they had it. "It's always good to do something good when somebody has said something negative about you," Henderson said. "It's always nice to make a guy look bad."

Steinbrenner said of Mattingly, who has been playing hurt but is often considered baseball's best player: "He's been awful, the most unproductive .300 hitter in baseball."

Then he cited Winfield, whose recent autobiography has been a big success, for "running around signing books."

Of Henderson, voted an all-star starter despite having missed much of the last month with leg injuries, Steinbrenner said: "It's difficult for me to understand how a guy can miss all those games and then go on to the All-Star Game. It seems so stupid when he could have taken those extra few days to get treatment for his legs. But he chose not to."

Then he concluded this of all three players: "I'm not sure if they have what it takes to win... Our success or failure rides with the guys making \$2 million a year. They're the ones being paid to carry the team."

"It's time for total dedication to the task. No more endorsements or running around signing books. I'm convinced we have too many me-first guys here. I think when I see Winfield going out every day promoting his book on the day of the game, he's thinking about himself, not the team."

The players were read the comments before Tuesday's game. They at once frowned and chuckled. Start with Mattingly. In the seventh inning, with the American League leading by 2-1, the National League put runners on first and



Terry Steinbach of Oakland, who has a .217 batting average, hit this pitch from Dwight Gooden of New York for a home run in the second inning. In the fourth, Steinbach drove in the American League's second run with a sacrifice fly that fell just short of being a grand slam, then later got the most valuable player award.

second with two outs. Andy Van Slyke of the Pittsburgh Pirates drove a sharp grounder between Mattingly and second baseman Harold Reynolds.

"A base hit, a tie game," Reynolds said later. "No question."

Except Mattingly dove, stabbed at it, knocked it down, gathered it in and threw to a stunned Cal Ripken for the third out.

"It was as if, before the play, he knew where it was going," Ripken said. "That kind of play lifts him a step above everybody else."

Said Mattingly with a shrug: "It's happened before. I saw the ball off the bat and was lucky enough to get in front of it. It's

easier for me to go to second because I'm left-handed."

No sooner was Steinbrenner's name mentioned than Mattingly shook his head.

"I'm not going to play that game in the papers," he said. "If he wants to talk to me, he can call me up into his office and talk to me. I never tried to do any type of business through the papers — so if he wants to talk, I'll be up there. He can close the doors. He can lock the doors. He can do anything he wants. That's all I have to say until the next chapter."

Now for Winfield, whose fourth-inning double set him up to score the winning run.

"He [Steinbrenner] has nothing to do with the way I play," Winfield said. "He did not make me a good player, and he has done nothing to make me a better player."

Before the game, upon hearing the comments, he had said, "He doesn't even deserve to be at this game. People of his caliber shouldn't be here. We are having fun, he should steal the stage. We are here with nice people."

Winfield spent Monday afternoon promoting his book at a shop across from the all-star's hotel here.

"I think that helped me tonight," Winfield said late Tuesday with another grin, and what sounded very much like a last laugh.

SCOREBOARD

BASEBALL

All-Star Game Summary

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Saverio Ballestrero appeared perplexed at practice for the British Open, but his co-favorite, Sandy Lyle, seemed unconcerned.

A U.S. Dry Spell May Continue

Europeans Heavily Favored as British Open Begins Today

By Thomas Bonk

LYTHAM ST. ANNES, England — Here at Royal Lytham and St. Annes Golf Club, where the only thing longer than its name is the railroad track that stretches along the right side of the course, a magnum of champagne at a concession tent runs \$2 pounds, or about \$90. Pricey, indeed.

But it's not likely, according to European Ryder Cup captain Tony Jacklin, that U.S. golfers will have to buy any for a celebration. Not for the 17th British Open that was to begin here Thursday, anyway.

Since 1983, American players have put their names on the entry list as if they were filling missing persons reports. How many have won the Open since Tom Watson did five years ago at Royal Birkdale? Not a one. Yet, it's surely been a long dry spell, which is unusual here, where nothing stays dry for long.

Jacklin, who won the 1969 British Open at Royal Lytham, needed just one look at the field to come to a conclusion: "I can't see beyond a European win. I can't see an American winning."

And why is that? "I don't think they're as good as we are," he said.

He was back and as good as ever, as bappy as ever, as voluble as ever. "He had this kind of high voice, I mean, if you didn't see him, and you heard his voice, you'd think he was a frail guy," said Johnny Bench, the Reds' former catcher.

"When he was behind the plate, he always called out not just the balls and strikes, but the number of outs, too. Two balls, two strikes, two out. I think he did it because he just loved being in the game."

In the game July 5 at Shea, there was a close play at first base, and Harvey, who umpired in the crew when Weyer broke into the majors in 1961, called out Chris Sabo, the Cincinnati runner. Manager Rose came bustling out of the dugout, obviously to argue the call. Shortly, he returned to the dugout.

Harvey later recalled that scene as he stood in the doorway to the umpires' room under the stands at Shea Stadium: "Pete came out and said, 'You called it right, Doug, but I just wanted to say that it was tough about Lee.'"

"I looked at him and said, 'Well, if you're going to stand out here and talk, you might as well flap your arms, for heaven's sakes, so people will think you're doing something.'"

At the umpires' door, Harvey said: "Lee was my good friend. It was like losing a brother. Really, that's all I can say now."

Lee Weyer: The Ump Who Loved the Game

By Ira Berkow

NEW YORK — It started to rain that first game in Korakuen Stadium in Tokyo. The Japanese umpires slipped on raincoats and handed one to Lee Weyer, the National League umpire who had accompanied the Cincinnati Reds on this exhibition tour to Japan after the 1978 season.

Weyer stood 6 feet, 6 inches (1.98 meters) and weighed about 280 pounds (127 kilograms). "He put it on and it was about three times too small," said Pete Rose, now the Reds' manager. "The sleeves came up to about his elbows."

Rather than hurt the hosts' feelings, Rose recalled, Weyer, with a smile on his broad face, umpired the rest of the game in his tight little coat.

Many people have been recalling Lee Weyer, a few hours after having umpired at first base in the Giants-Cubs game in San Francisco. He was 51 and had been a National League umpire for 26 years.

"I rate him one of the top," said Rose. "If not the top."

Weyer umpired four All-Star Games and four World Series and was behind the plate when Rose got the hit that broke Ty Cobb's record.

Tour Favorites Drop Back

The Associated Press

MORZINE, France — Canada's Steve Bauer held on to a tenuous lead in the mountains Wednesday as the Tour de France reached its midway point. But some of the favorites fell — literally and figuratively — in a tough stage that included two steep climbs and a section into Switzerland.

Bauer retained an 11-second lead over France's Jerome Simon, down three seconds from the day before. Bauer fell behind early in the 232-kilometer (144-mile) 11th stage from Besancon to Morzine but was part of the pack that closed on the leaders near the end of the day.

CYCLING

Tour de France

- 11th Stage: Besancon to Morzine, 232 kilometers/144 miles. 1. Fabio Parra, Colombia, 4 hours, 4 minutes, 54 seconds.

OVERALL STANDINGS

- 1. Steve Bauer, Canada, 40 hours, 3 minutes, 20 seconds.

Advertisement for David Morris watches, featuring a close-up image of a watch and the brand name 'david morris'.

ART BUCHWALD

Up in Arms Over Arms

WASHINGTON — Every night on the television you see people shooting at each other with everything from naval guns to rubber bullets.



Buchwald

Nobody ever takes the time to ask, "Where is all this stuff coming from?" The big surprise is not that it is so easy to buy equipment to start an insurrection, but rather that the people in sales don't even know who they're selling the arms to.

Feaster, an arms merchant prince, said, "I love this crazy business. You never run out of surprises." "What kind of surprises?" I asked.

"Look at this newspaper. The Israelis are helping the Chinese develop a new and improved Silkworm missile. As soon as it is tested, the Chinese are going to sell it to Saudi Arabia, and the Saudis will probably use it against the Israelis."

Driving the Nail Home

New York Times Service NEW YORK — Candido C. Ortiz, a 63-year-old East Harlem janitor, picked numbers in the New York State lottery by turning the betting slip over and making holes in it with a nail.

Tom Hayden's Circle: From Outside to Inside

By Charles Trueheart

Washington Post Service

SANTA MONICA, California — Any man getting ready to turn 50 is bound to cast at least one nervous glance over his shoulder and ask himself what he's amounted to.

At 22, Thomas Emmett Hayden, a restless middle-class Catholic kid out of Royal Oak, Michigan, was drafting the document that served as the manifesto of Students for a Democratic Society and his generation's political beliefs.

Hayden runs on a tight schedule in and out of the many political houses he and his wife Jane Fonda have built. There's Campaign California, whose ballot initiatives and phone banks Hayden and lobbying efforts have given Hayden a potent clout.

about Hayden's mistakes and misjudgments.

One reason Hayden called his book "Reunion," he says, is that the autobiography describes a circle. "I feel now much more like I did when I was 21 than at any other part of my life," he says.

Yet in 1976, when Hayden tried to pole-vault over his years in the streets by capturing the U.S. Senate seat held by Democrat John Tunney, these moderating tendencies were crushed by voters' memories of his trips to Hanoi, his behavior in Chicago and his courtroom histrionics.

In 1982, when he set his sights more manageably on the state Assembly, his opponent was inundated with contributions and advice from conservatives. Since his arrival in Sacramento, Hayden has been an inviolable bogeyman for right-wing fund-raisers.



Hayden recalls the turbulent '60s in his memoirs, "Reunion."

ways that I now regret," he goes on. "There are people who believe that whatever is wrong with the Soviet Union or Cuba has been caused by the excessive anti-communist encirclement by the United States, or that whatever is wrong with Louis Farrakhan comes from American racism."

PEOPLE

U.S. Ministers Threaten Boycott of 'Christ' Film

A group of Southern California Protestant ministers threatened to urge a boycott of businesses owned by MCA if Universal Pictures releases Martin Scorsese's new film, "The Last Temptation of Christ."

Bruce Springsteen has a well-placed fan in Richard Burt, the U.S. ambassador to West Germany insists "I am not a groupie."

Michael Jackson caused traffic chaos around London's Regent Mayfair Hotel on Tuesday as fans crowded for a glimpse of the 29-year-old singer at the start of his two-month concert tour of Britain.

A Madrid university said on Tuesday it was awarding the Soviet leader Mikhail Gorbachev an honorary doctorate. The Autonomous University said it wanted to recognize Gorbachev's "work toward the dismantling of the Cold War and the promotion of safer and better international relations as well as his initiative for intellectual, social, economic and political reform in his own country."

Fifty years after he left New York for Cambridge, in a single-engine plane and flew to Dublin "by mistake," Douglas (Woody) Corrigan, now 81, is to return to Ireland in style. The aviator is being flown back by Aer Lingus Saturday, an airline spokesman said.

British Open, Angola Pull, Impact of U.S., Pentagon Bill Approved, Vice President George Bush...

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